

## The Impact of Devolution: Housing and Homelessness

**Citation for published version:**

Wilcox, S, Fitzpatrick, S, Stephens, M, Pleace, N, Wallace, A & Rhodes, D 2010, *The Impact of Devolution: Housing and Homelessness*. Joseph Rowntree Foundation. <<http://www.jrf.org.uk/sites/files/jrf/impact-of-devolution-long-term-care-housing.pdf>>

**Link:**

[Link to publication record in Heriot-Watt Research Portal](#)

**Document Version:**

Publisher's PDF, also known as Version of record

**Publisher Rights Statement:**

All rights reserved. Reproduction of this report by photocopying or electronic means for noncommercial purposes is permitted. Otherwise, no part of this report may be reproduced, adapted, stored in a retrieval system or transmitted by any means, electronic, mechanical, photocopying, or otherwise without the prior written permission of the Joseph Rowntree Foundation.

**General rights**

Copyright for the publications made accessible via Heriot-Watt Research Portal is retained by the author(s) and / or other copyright owners and it is a condition of accessing these publications that users recognise and abide by the legal requirements associated with these rights.

**Take down policy**

Heriot-Watt University has made every reasonable effort to ensure that the content in Heriot-Watt Research Portal complies with UK legislation. If you believe that the public display of this file breaches copyright please contact [open.access@hw.ac.uk](mailto:open.access@hw.ac.uk) providing details, and we will remove access to the work immediately and investigate your claim.

# The impact of devolution

## Housing and homelessness

January 2010

by Steve Wilcox and  
Suzanne Fitzpatrick  
with Mark Stephens,  
Nicholas Pleace, Alison  
Wallace and David Rhodes

**This report examines the post-devolution differences in housing policy in the four countries of the UK, and the impact these have had on low-income households.**

Since the 1999 devolution settlements there have been significant developments and divergences in housing policies across the UK. This report sets out the evidence on the impact this has had on housing issues for lower income households. This includes:

- the priority of housing within devolved budgets;
- the supply of social housing;
- reforms to right-to-buy;
- homelessness and the allocation of housing; and
- the quality of social and private housing.



# Contents

List of figures and tables	5
<b>Executive summary</b>	<b>7</b>
Chapter 1: The 1999 devolution settlement	7
Chapter 2: Economic and social trends	7
Chapter 3: Promoting supply, access and affordability	7
Chapter 4: Addressing homelessness	8
Chapter 5: Improving housing quality	9
<b>Introduction</b>	<b>11</b>
<b>1 The 1999 devolution settlement</b>	<b>13</b>
Devolved housing powers and budgets	13
Devolved budgets	14
Conclusions	15
<b>2 Economic and social trends across the UK</b>	<b>17</b>
Low-income households in the four countries	18
Conclusions	21
<b>3 Promoting supply, access and affordability</b>	<b>25</b>
The overall supply of housing	25
Housing supply and low-income households	27
The supply of social sector dwellings	28
The impact of the right to buy	31

The affordability of social sector rents	34
Conclusions	35
<b>4 Addressing homelessness</b>	<b>37</b>
Legislative divergence post-devolution	37
Preventing homelessness post-devolution	42
Providing housing support to homeless people and those at risk of homelessness	46
Conclusions	46
<b>5 Improving housing quality</b>	<b>48</b>
Ownership of social housing	48
Regulation of landlords providing affordable housing	51
Housing quality	51
Social housing management performance	60
Conclusions	61
<b>Some final observations</b>	<b>64</b>
<b>Notes</b>	<b>66</b>
<b>Related reports</b>	<b>67</b>
<b>References</b>	<b>68</b>
<b>About the authors</b>	<b>73</b>

# List of tables and figures

## Tables

Table 1:	Current maximum RTB discounts
Table 2:	Homelessness presentations and acceptances per thousand households in the UK, by country in 2007/08
Table 3:	Characteristics of new social housing tenants in England, by homelessness status 2007/08
Table 4:	Reasons for homelessness (2007/08)
Table 5:	Average number of days taken to let vacant dwellings in 2007/08
Table 6:	Percentage of response repairs completed within target times in 2007/08

## Figures

Figure 1:	Index of growth in total devolved budgets
Figure 2:	Index of total per capita spending
Figure 3:	Housing spend as a proportion of total attributable spend
Figure 4:	National trends in home owner affordability
Figure 5:	National trends in unemployment
Figure 6:	Changing national profiles in gross earnings
Figure 7:	Distribution of the UK lowest income quintile population within the four countries
Figure 8:	Tenure within lowest income quintile
Figure 9:	Changes in distribution of people with low incomes in the social rented sector
Figure 10:	Household dwelling balances
Figure 11:	Proportion of younger households unable to buy in 2005
Figure 12:	Decline in social rented stock
Figure 13:	Social rented stock as a proportion of total housing stock
Figure 14:	Lettings to new tenants decline in all four countries
Figure 15:	Trends in social rented new build completions
Figure 16:	Trends in public funding for new housing association affordable housing

Figure 17:	RTB sales of council housing
Figure 18:	Average right to buy discounts
Figure 19:	Increases in council rents
Figure 20:	Increases in housing association rents
Figure 21:	Households accepted as owed the main homelessness duty in the UK
Figure 22:	Households in temporary accommodation in Great Britain
Figure 23:	Percentage of local authority lets to new tenants made to statutory homeless households
Figure 24:	Proportion of owner occupiers receiving support with mortgage interests
Figure 25:	Proportion of social sector stock owned by housing associations
Figure 26:	Investment in council housing
Figure 27:	Improvement grants in 1998 and 2007 per private sector dwelling
Figure 28:	Non-decent homes in England by tenure and income quintile
Figure 29:	Unfitness and low-income households in Wales, 2004
Figure 30:	Non-decent homes in Northern Ireland by tenure and low income
Figure 31:	Dwellings failing the SHQS by tenure and income band
Figure 32:	Energy efficiency ratings, 2006



# Executive summary

## Chapter 1: The 1999 devolution settlement

- Devolution is constitutionally different for the four countries. Wales does not have the power to make primary legislation. Devolution in Northern Ireland was effectively in suspension for much of the decade.
- While housing is devolved, key related functions remain subject to UK control: mortgage market regulation, housing benefit etc.
- Overall budgets are set by HM Treasury. Council housing finances are dealt with by 'concordats' that reflect pre-devolution differences. Over the decade devolved budgets grew more slowly than the total UK budget.
- Per capita spending is higher in Northern Ireland, Scotland and Wales than England. However spending also varies between the regions of England and there is no consensual measure of relative 'needs'.
- Housing spend (as a proportion of total attributable spend) is lowest in Wales. It is considerably higher in both Scotland and Northern Ireland.

## Chapter 2: Economic and social trends

- Home owner affordability worsened in all four countries over the decade, but especially in Northern Ireland, where it was more acute than in England towards the end of the decade. Affordability remained less acute in Scotland throughout.

- Unemployment declined over the decade; and claimant unemployment rates converged below 3 per cent in 2008.
- Earnings grew ahead of inflation in all four countries, but most slowly in Wales, which had the lowest earnings by the end of the decade.
- The highest proportion of the UK's low-income population (based on the lowest quintile) reside in Northern Ireland. An above average proportion also reside in Wales.
- Just over a half of the low-income population in Scotland reside in social housing; just over two fifths in England, and just over a third in Northern Ireland and Wales, where a higher proportion are owner occupiers.
- Income polarisation within the social rented sector increased in Scotland and Wales over the decade; but slightly eased in England.

## Chapter 3: Promoting supply, access and affordability

- Overall housing supply lagged behind household formation in England, Northern Ireland and Wales over the decade; but kept pace in Scotland.
- Crude household dwelling balances were lowest in England at the end of the decade, and considerably lower than in Northern Ireland and Scotland.
- The supply of social sector dwellings fell in all four countries, with right to buy sales outstripping new stock. The fall was greatest in Northern Ireland and Scotland, but at the end of the decade social sector dwellings



still comprised a quarter of the total stock in Scotland; far higher than in the other three countries.

- The rate of new social sector completions increased in England and Scotland over the decade, but fell slightly in Northern Ireland and Wales.
- Average right to buy discounts were reduced to under 25 per cent in England, Northern Ireland and Wales by 2007 as a result of national, regional and local caps on maximum discounts. Average discounts remained over 50 per cent in Scotland, as the 2002 modernised right to buy for new tenants had not by 2007 had any significant impact, and the original Scottish right to buy never included powers to set a maximum cash limit on discounts.
- The policies in England, Northern Ireland and Wales have been more effective both in reducing stock losses through the right to buy, and in reducing discounts to levels that represent reasonable value to the public sector (given that they are sales to sitting tenants with the right to occupy at substantially sub-market rents and not vacant possession sales).
- Looking forward, the discount structure of the Scottish modernised right to buy strikes a better balance in supporting the objective of promoting choice and the option of ownership for tenants, without imposing any net costs in terms of public sector value for money. However, the uncapped 'old' right to buy in Scotland still results in higher levels of stock losses, and considerable net public sector costs.
- Council rents in England increased in line with earnings over the decade. In proportional terms they increased a little more slowly in the other three countries. However, because of slower earnings growth they increased as a proportion of earnings in Wales.
- Housing association rents in England, Scotland and Wales all rose a little less than earnings

over the decade. However, they rose sharply in Northern Ireland, to levels some £20 per week above Northern Ireland Housing Executive levels.

## Chapter 4: Addressing homelessness

- There has been an intense period of policy activity on homelessness since devolution – particularly in Scotland and England.
- The legislative framework has now diverged significantly across the UK, with Scotland having a far more extensive statutory safety net than elsewhere, enabled by the (diminishing) relative advantage it enjoys with respect to social housing supply.
- Homelessness prevention activity has had a major (and controversial) impact in England and Wales, much less so in Scotland and Northern Ireland.
- Levels of statutory homelessness rose in all four UK countries in the period after devolution, but have declined sharply in England and Wales since the introduction of the prevention agenda.
- A large and growing proportion of social housing lets are allocated to statutorily homeless households in Scotland and Northern Ireland, but the proportion of local authority lets allocated to this group has recently declined in England and Wales.
- There is an emphasis in all four countries on increased use of the private rented sector to discharge the homelessness duty, but this has had a limited impact thus far (though use of the private rented sector as a preventative tool has progressed further, especially in England).
- There are major concerns in all four UK countries about levels and distribution of Supporting People funding.

- The ideal homelessness system would combine the vigour of the English and Welsh preventative measures with the strong statutory safety net available in Scotland.

## Chapter 5: Improving housing quality

- The proportion of social housing owned by housing associations rose in all four countries over the decade; as a result of both new build and stock transfers. Nearly a half of the social housing stock in England, just over two fifths in Scotland, and some 30 per cent in Wales were owned by associations by 2007; but only a fifth in Northern Ireland, reflecting the unique position of the Northern Ireland Housing Executive.
- Stock transfers accessed additional funds for stock improvements, as well as changing the structure of the social sector housing market: 24 per cent of the English council stock was transferred in the decade; 19 per cent in Scotland and 14 per cent in Wales.
- In Scotland the Glasgow transfer was of particular significance, although its failure, to date, to complete the anticipated second round transfers to small community-based associations means it has not yet led to the market restructuring that was one of its objectives.
- Scotland, Wales and Northern Ireland have not followed England in adopting the Arms Length Management Organisation (ALMO) model for council housing; primarily as it did not offer the financial advantages of stock transfer. While Scotland more forcefully promoted stock transfers following devolution, that stance has since softened, partly as a result of the Edinburgh no vote, and partly in response to the prudential borrowing regime, which has increased the financial freedoms of councils in Scotland to a much greater degree than in England and Wales.
- While Wales did not initially promote stock transfers as strongly as Scotland, it has maintained the pressures through limiting the budgets for council housing, and from a slow start there is now a momentum behind a wave of transfers. Three of the Welsh transfers have also followed a distinctive route by adopting a Community Housing Mutual model, or similar, rather than a conventional housing association.
- The regulatory frameworks for local authorities and housing associations have been radically recast in England, Scotland and Wales. However, these changes are relatively recent and it is too early to judge their impact.
- All four countries introduced new housing quality standards over the decade. While Northern Ireland adopted the 'decent homes' standard along with England, Scotland and Wales introduced their own quality standards, and in both cases these are (in different ways) rather higher than the decent homes standard. While England set targets to improve both social and private sector housing towards the decent homes standard, in Scotland and Wales their quality standards have only been used to set targets for social sector housing.
- Investment in improving the council sector housing stock increased most rapidly in England over the decade and (measured per dwelling) was far higher at the end of the decade than the equivalent spend in Northern Ireland and Wales, with Scotland in an intermediate position. Substantial additional funding for stock improvements were also raised through stock transfers.
- Investment in improving private sector housing was a much lower priority in all four countries. Grants expenditure (per private sector dwelling) was by far the lowest in England; with expenditure in Scotland and Wales at double the English level, and with four times the level of expenditure in Northern Ireland.
- The proportion of dwellings failing the decent homes standard fell in both England and (more rapidly) in Northern Ireland; as did the

proportion of dwellings failing the Scottish Housing Quality Standard. Time series data on the Welsh Housing Quality Standard is not yet available. Despite the limited government support, the private sector stock was improved more rapidly than the social sector stock in both England and Scotland over the decade.

- Only in Scotland do the majority of low-income households live in social rented dwellings. In all four countries low-income households are more likely than other households to live in dwellings falling below the national quality standard (in both private and social sector housing). Moreover, private housing is more likely to fail those standards than social sector housing, and the majority of low-income households living in below-standard accommodation live in private housing.
- In that context the question arises as to the continuing appropriateness of the policies and priorities that focus far more on improving the social sector than private sector dwellings.
- In all four countries average energy efficiency ratings for social sector dwellings are higher than for private sector dwellings. Scotland has the highest ratings; and the average rating for private dwellings in Scotland is higher than for social sector dwellings in England and Wales.
- Policies to improve the energy efficiency of dwellings have also prioritised support to improve social sector dwellings in all four countries, with limited means tested help available to assist with improvements in the private sector. These schemes are also constrained by the links with pension credit and council tax benefit, which have low take-up rates.
- With mounting concerns about carbon dioxide emissions in the future, all four countries will need to consider measures that are more effective in delivering energy efficiency improvements in the private sector.
- Housing management standards for social sector housing have improved in all four

countries over the last decade, although they are still lagging somewhat among Scottish and Welsh local authorities. It is difficult, however, to link the improvements to the specific arrangements to monitor standards and regulate social landlords in each country, although in England there is a suggestion that the incentives for high performing ALMOs resulted in rather greater improvements in performance than those made by other councils.

# Introduction

This report is one of a series commissioned by the Joseph Rowntree Foundation to evaluate the impact of the 1999 devolution settlement on low-income households.

The focus of the report is specifically on the impact of devolution on the housing circumstances and prospects of low-income households, and that focus provides both a discipline and constraint on the scope and content of the report.

The report is concerned primarily with the impact of devolved housing policy making on low-income households; and the focus is on the measurable outcomes for those households, rather than the wider debates and developments in the devolved housing policy arenas. Some of the key documents outlining those policy developments are listed in Box 1.

While it is timely to review the operation of the impact of the 1999 devolution settlement as a decade has now passed, at the same time it must be recognised that it takes time for new housing strategies and policies to be developed, and even longer for them to begin to have any measurable impact. There is also an inevitable time lag in the generation of both survey and administrative data.

It follows that in almost all cases the report is in practice examining the impact of the implementation of devolved policies over a rather shorter period than a decade, and that there is inevitably very limited evidence in respect of the impact of more recent policy developments introduced towards the end of the devolution decade.

Nonetheless it is already clear that the devolution of housing policy has made a difference in the housing circumstances and prospects of low-income households in the four countries of the United Kingdom (UK), and that the potential for devolution to make a difference will increase further in the years ahead.

Chapter 1 sets the scene by outlining the terms of the 1999 devolution settlement, and the different ways in which it operates in the four countries. This includes a discussion of the financial arrangements for the budgets of the devolved administrations, and in particular the arrangements related to housing finance.

Chapter 2 summarises the wider economic, social and housing market trends impacting across the UK over the devolution decade, and the differences and changes in incidence of low incomes in the four countries.

Chapter 3 examines the impact of devolved policies that have sought to increase the supply of affordable housing to low-income households, alongside the impact of the right to buy in reducing the stock of social sector housing. It also examines the impact of policies in relation to the rents and affordability of social sector housing.

Chapter 4 details the way in which homelessness policies and legislation have developed in the four jurisdictions post-devolution. It pays particular attention to the growing importance of preventative measures, and also summarises the current position and concerns with regard to funding for housing-related support.

Chapter 5 focuses on the range of policies, including stock transfer and decent homes standards, which have sought to improve the quality of the housing stock in the four countries, as well on developments in housing management performance.

We conclude by offering some final observations on devolution and its impact on housing outcomes for low-income households.

We acknowledge that satisfactory housing outcomes are also dependent on neighbourhood quality. However, these issues are not explored in detail in this report as they are covered by a related JRF study (Adamson, 2009).

## Key policy documents

### England

- Department of the Environment, Transport and the Regions (2000) *Quality and Choice: A Decent Home for All*, London: DETR
- Office of the Deputy Prime Minister (2005) *Sustainable Communities: Settled Homes – Changing Lives*. A Strategy for Tackling Homelessness, London: ODPM
- Communities and Local Government (2007) *Homes for the Future: More Affordable, More Sustainable*, London: CLG

### Scotland

- Scottish Executive (2000) *Better Homes for Scotland's Communities*, Edinburgh: Scottish Executive
- Homelessness Task Force (2002) *An Action Plan for Prevention and Effective Response*, Homelessness Task Force Final Report, Edinburgh: Scottish Executive
- Scottish Government (2007) *Firm Foundations: The Future of Housing in Scotland*, Edinburgh: The Scottish Government

### Wales

- National Assembly for Wales (2001) *Better Homes for People in Wales*, Cardiff: NAW
- Affordable Housing Task and Finish Group (2008) *Report to the Deputy Minister for Housing*, Cardiff: Welsh Assembly Government
- Welsh Assembly Government (2009) *Ten Year Homelessness Plan for Wales: 2009–2019*, Cardiff: WAG

### Northern Ireland

- Department for Social Development (2007) *Including the Homeless: A Strategy to Promote the Inclusion of Homeless People*, Belfast: DSD
- Semple, J. (2007) *Review into Affordable Housing, Final Report*, Belfast: Department for Social Development

# 1 The 1999 devolution settlement

The 1999 devolution settlement involved major constitutional and institutional changes, and formally devolved housing policy to the national administrations. However, even prior to 1999 there had been a substantial degree of devolution in housing policy in practice, albeit that politically the lines of reporting were to Secretaries of State appointed from Westminster.

The forms of post-1999 devolution also differ substantially between Scotland, Wales and Northern Ireland, with the new institutional arrangements in part reflecting those in place before the 1999 settlement. In particular, the Scottish Government has the power to make primary legislation for housing policy, and the other functions within its devolved competence. But this follows on from a long-standing tradition of separate, if largely parallel, legislation for Scotland previously made at Westminster.

In contrast, the Welsh Assembly has to operate, primarily, within the framework of primary legislation for England and Wales passed in Westminster. While secondary legislation (orders) is now laid before the Welsh Assembly by Welsh Ministers, this is a development of the pre-devolution arrangements where Welsh orders were laid before the Westminster parliament by the Secretary of State for Wales. While pre-devolution most Welsh orders tended to parallel their English equivalents, there were cases where they were distinctly different.

The legal position in Wales was subsequently amended by the Wales 2006 Act, which provides the Welsh Assembly with the opportunity to apply to Westminster for 'derogation' of specific areas of existing primary legislation, so that its operation in Wales can then be amended by orders laid before the Assembly. However, as seen in the recent case of the right to buy (discussed further below), Westminster does not automatically grant such requests for derogation.

Like Scotland, the Northern Ireland Assembly

has full legislative powers in respect of devolved functions; however the Assembly was dissolved between 2002 and 2007, with devolved powers returning to the UK Secretary of State for Northern Ireland during that period.

## Devolved housing powers and budgets

Housing is itself a wholly devolved function under the devolution settlement. However, its pursuit by the devolved administrations is hedged around by a number of related functions and policies that continue to be operated across the UK as a whole.

Among the continuing UK-wide functions, perhaps the most significant is the regulation of mortgage lenders. In addition, provisions for housing and related welfare benefits are made for Great Britain as a whole through the Department of Work and Pensions (DWP). In formal terms welfare benefits is a devolved function for the Northern Ireland Assembly, but in practice there is a 'concordat' whereby welfare benefits are operated within Northern Ireland in essentially the same way as applies throughout Great Britain (DWP and Department for Social Development Northern Ireland (DSDNI), 2002).

More generally the devolved administrations have to operate within the fiscal rules and financial provisions for overall departmental budgets set by HM Treasury. While the devolved administrations are free to set their own priorities within the global budget provisions made by HM Treasury, those budgets reflect decisions in Westminster, not just about the total levels of UK public spending provisions, but also about the priorities between different areas of expenditure.

The global budgets for the devolved administrations are determined by a complex set of formulas based on the budget provisions made for England. These are partly determined by the 'Barnett' formula, which adjusts previous levels



of spending on a per capita basis (thus tending towards per capita equivalence over time), but for some functions other rules apply (HM Treasury, 2007).

Arrangements for council housing subsidies are dealt with separately, and reflect differences in the financial regimes in Scotland, compared to England and Wales, that date back to 1989. There is also a different arrangement for Northern Ireland, where the Northern Ireland Housing Executive acts as the primary social sector landlord across Northern Ireland as a whole, instead of local authorities.

The council housing subsidy arrangements also lead to different accounting rules for capital expenditure. For Scottish councils that do not receive housing subsidy, all their borrowing has, since 2004, been treated as 'prudential borrowing', which counts against 'annually managed expenditure' (AME), but does not count against the 'departmental expenditure limit' (DEL) for the Scottish Government (HM Treasury, 2008).

In contrast, most council borrowing for housing investment in England and Wales is treated as 'supported borrowing', and is counted against DEL. While this borrowing is linked to the council subsidy regime, it is treated as 'supported' borrowing whether the individual council is in

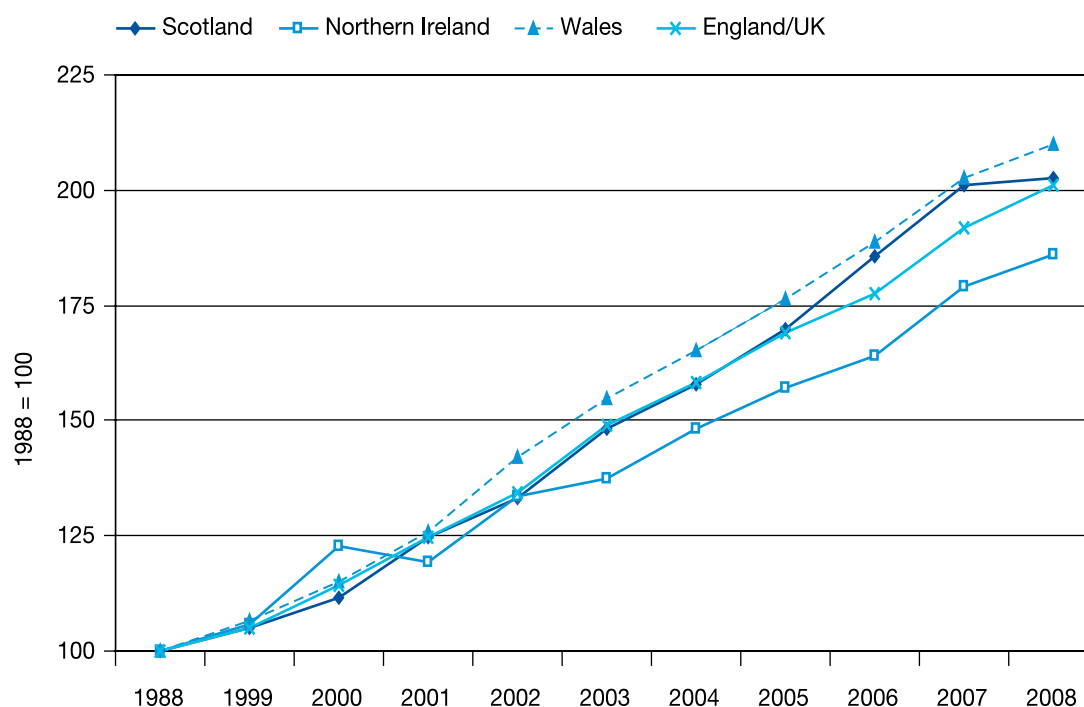
subsidy, or in surplus. It is only any additional borrowing otherwise financed by the council's own resources that is treated as prudential borrowing that is set against AME. Similarly most Northern Ireland Housing Executive (NIHE) borrowing also counts against DEL.

There are further 'concordats' that would enable HM Treasury to recoup additional housing benefit costs in the event of council rents in Scotland or Wales (or NIHE rents in Northern Ireland) being increased more rapidly than in England. In practice this has not arisen since 1999. There are no similar arrangements in respect of housing association rent levels (HM Treasury, 2007).

## Devolved budgets

The 'DEL' budgets set for the devolved administrations varied from country to country over the post-devolution decade. Relative to total UK and England budgets, the Northern Ireland budget declined, while there was a slight rise in the budget for the Welsh Assembly. The Scottish budget moved more or less in line with the UK and England budget; but as noted above, following the introduction of the prudential borrowing regime, council housing investment in Scotland no

Figure 1: Index of growth in total devolved budgets



Source: HM Treasury (2008)

longer scores against DEL. The relative budgetary movements over the decade are shown in Figure 1 (1988/89 = 100).

Despite those national variations in trends, total identifiable expenditure (which includes both DEL and AME for all government spending that can be attributed nationally) grew more slowly in all the devolved countries compared to England and the UK. In consequence the differentials in per capita spending between the countries narrowed, although it still remained higher in Northern Ireland, Scotland and Wales than in England as a whole, as can be seen in Figure 2.

In this context it should be noted that there is also substantial variation in per capita public spending between the English regions, and spending in London is at similar levels to Scotland, while spending in the North East and North West is at similar levels to Wales. Without an accepted methodology for determining the relative expenditure needs of each of the four countries (and the regions within England) there is no sound basis for arguing that, in overall terms, one country (or region) is treated more favourably than another (McLean *et al.*, 2008).

If overall budget constraints for the devolved administrations are set by HM Treasury, the priority given to housing expenditure within those budget constraints is entirely a matter for the devolved administrations. A measure of the relative priority given to housing expenditure by the devolved administrations can be seen in the proportion of housing expenditure (gross housing investment plus revenue subsidy) they devote to housing; and how that has changed over the decade of devolution. This can be seen in Figure 3.

There are a number of points to note. The first is that the housing expenditure figures have been compiled from data supplied from each country (to the UK Housing Review), rather than taken from the HM Treasury Public Expenditure statistics. This is because the Treasury figures do not provide a consistent disaggregated series for housing over the whole devolution period. The long time series data in Public Expenditure Statistical Analyses (PESA) includes expenditure on water as part of the housing block, and this is treated very differently in the four countries.

The second is that there have been only limited changes in the different levels of relative priority

given to housing within the national budgets over the period. Both Scotland and Northern Ireland continue to give a far higher priority to housing than England and Wales.

However, while in England the priority given to housing expenditure was rather higher over the decade, in Wales there was a decline, so that by the end of the decade Wales gave the lowest priority to housing expenditure of any of the four countries.

While these public expenditure figures do not take account of the impact of stock transfers, that switch investment to the private sector, this had a broadly similar impact on the proportion of retained council housing stock in England, Scotland and Wales over the decade. From 1998 to 2007 stock transfers accounted for 24, 19 and 16 per cent of the council stock at the beginning of the period in each country, respectively.

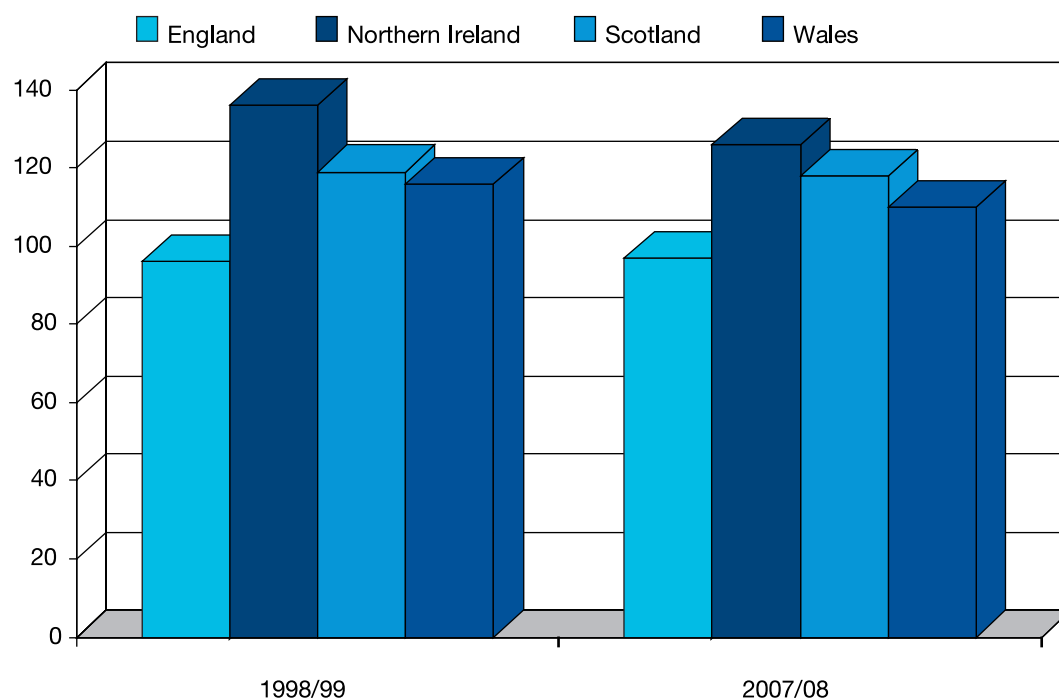
## Conclusions

The 1999 devolution settlement has provided the devolved countries with significantly increased opportunities to determine their own futures. However, the devolution of housing powers is constrained by overall budget constraints set by HM Treasury, and UK-wide powers on key related functions such as the regulation of financial institutions and housing benefits.

The devolution settlements for each country are also constitutionally different; the Welsh settlement does not give it the power to make primary legislation, and the Northern Ireland settlement has been in suspension for much of the decade. But within those constraints the devolved countries have nonetheless far greater opportunities to develop their own policies and impose their own priorities than hitherto.

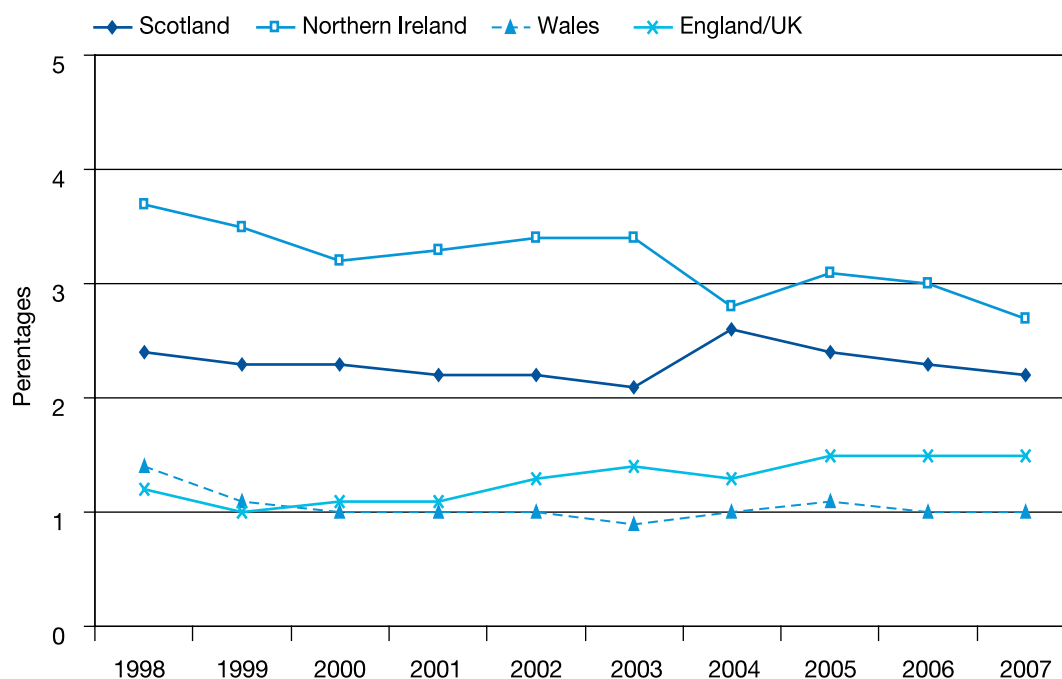


Figure 2: Index of total per capita spending (UK = 100)



Source: Public Expenditure Statistical Analyses (PESA), HM Treasury

Figure 3: Housing spend as a proportion of total attributable spend



Source: Wilcox (2008a); PESA, HM Treasury

## 2 Economic and social trends across the UK

Devolved housing policies are necessarily formulated and operated within the context of global and UK-wide economic and social trends, over which the devolved administrations have little influence. In particular the devolution decade was marked by a sustained period of economic growth, accompanied by rapid growth in house prices, and the development of large-scale competitive funding for investors in private rented housing.

While that growth came to an abrupt end with the 'credit crunch' in 2008, our primary focus is on the preceding decade, and Figure 4 shows how house price to income ratios for first-time buyers increased sharply across the whole of the UK over the decade, before easing back in 2008. However, it is notable that there was a much sharper growth in house prices in Northern Ireland in the years to 2007, followed by a much sharper fall in 2008. The downturn in house prices in the fourth quarter of 2008 was also less marked in Scotland than elsewhere in the UK, so that the average figures for

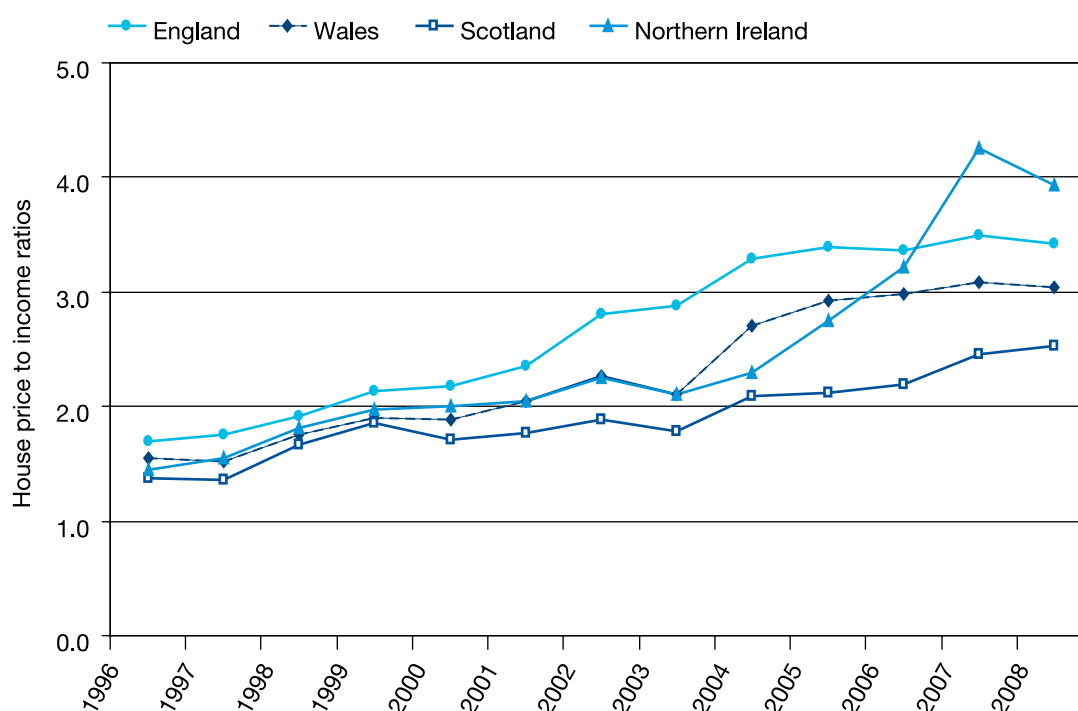
2008 as a whole still show house price to income ratios rising there.

The period of economic growth also saw a substantial reduction in levels of unemployment in all four countries (on both claimant and International Labour Organization (ILO) measures). Nonetheless while unemployment was far lower in all countries in 2007 compared with 1998, it is notable that there was a small rise in unemployment rates in England and Wales post-2005, although they continued to fall in Scotland and Northern Ireland (Figure 5).

However, perhaps the main point to note is that by 2008, unemployment rates in all four countries had virtually converged; as well as being at significantly lower rates compared to 1998.

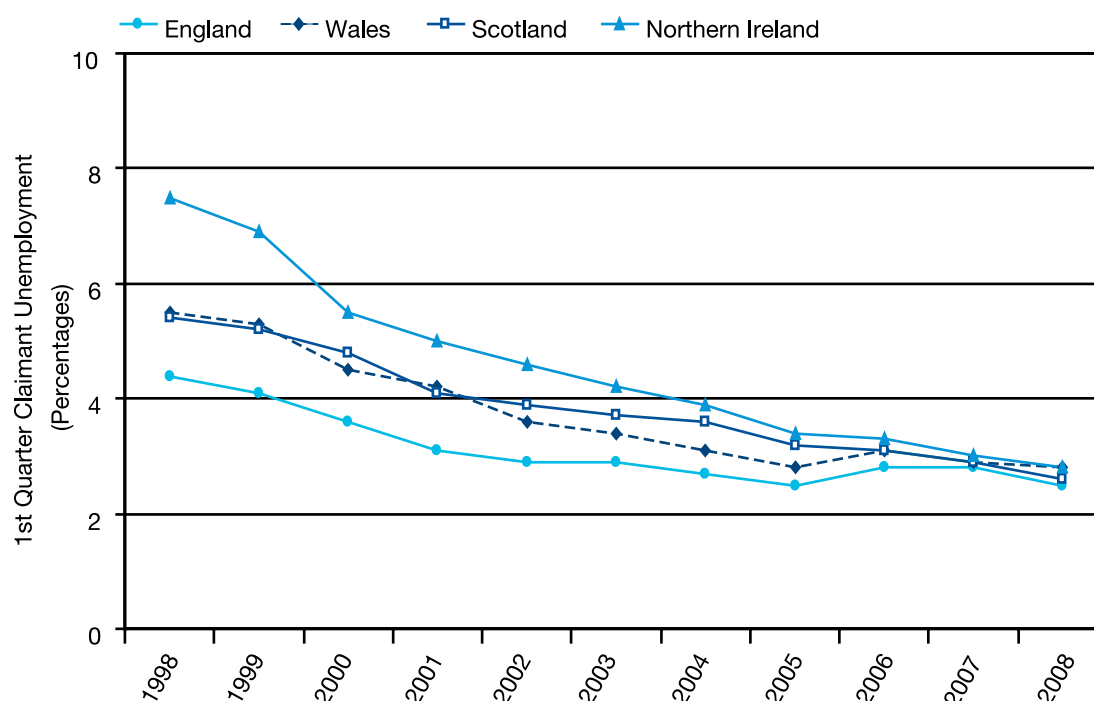
Earnings also grew ahead of inflation over the decade in all four countries; albeit barely so in Wales, where gross median earnings grew by an average of 3.3 per cent per annum between 1999 and 2008; compared to the Retail Price Index (RPI)

Figure 4: National trends in home owner affordability



Source: Wilcox (2009)

Figure 5: National trends in unemployment



Source: Economic and Labour Market Trends

of 3.0 per cent. Annual earnings grew on average by 3.9 per cent in Northern Ireland, close to the slightly higher level of 4.1 per cent per annum in both England and Scotland.

As a result of these changes, earnings in both Northern Ireland and Wales fell even further behind those in England and Scotland, and by the end of the decade median earnings in Wales had slipped below those in Northern Ireland (Figure 6).

## Low-income households in the four countries

These economic and housing market trends, as well as UK-wide government tax and benefit policies, had marked effects on the incidence and distribution of people with low incomes over the devolution decade, when incomes are measured both before and after housing costs.

The primary focus of this report is on the impact of devolved housing policies on low-income households; and to that end we have focused wherever appropriate (and possible) on the impact for the 20 per cent of households (or individuals) with the lowest income (i.e. the lowest income quintile). While a number of alternative measures might have been adopted, this relatively

simple measure is easier to operationalise across a number of different datasets.

However, as we have already seen, incomes vary between the four countries of the UK, and as a result the populations of these countries form different proportions of the UK-wide lowest income quintile. This can be seen in Figure 7, which shows the national distribution of the lowest quintile population in the years at the beginning of the devolution decade, and the years towards the end of the decade. In each case three years' data have been aggregated to provide more robust samples.

The figures show the results of analyses of 'equivalised' incomes from the Family Resources Survey (FRS); but as can be seen, data for the start years is only available for the countries of Great Britain, as the survey at that time did not cover Northern Ireland.

There are a number of points to note. The first is that on all measures the English and Scottish populations are under-represented in the UK lowest income quintile, while the Northern Ireland and Welsh populations are over-represented. A second point is that in England and Wales the proportions in the UK lowest income quintile measures are higher when incomes are measured after housing costs (AHC) than when they are measured before housing costs (BHC). In Northern

Figure 6: Changing national profiles in gross earnings

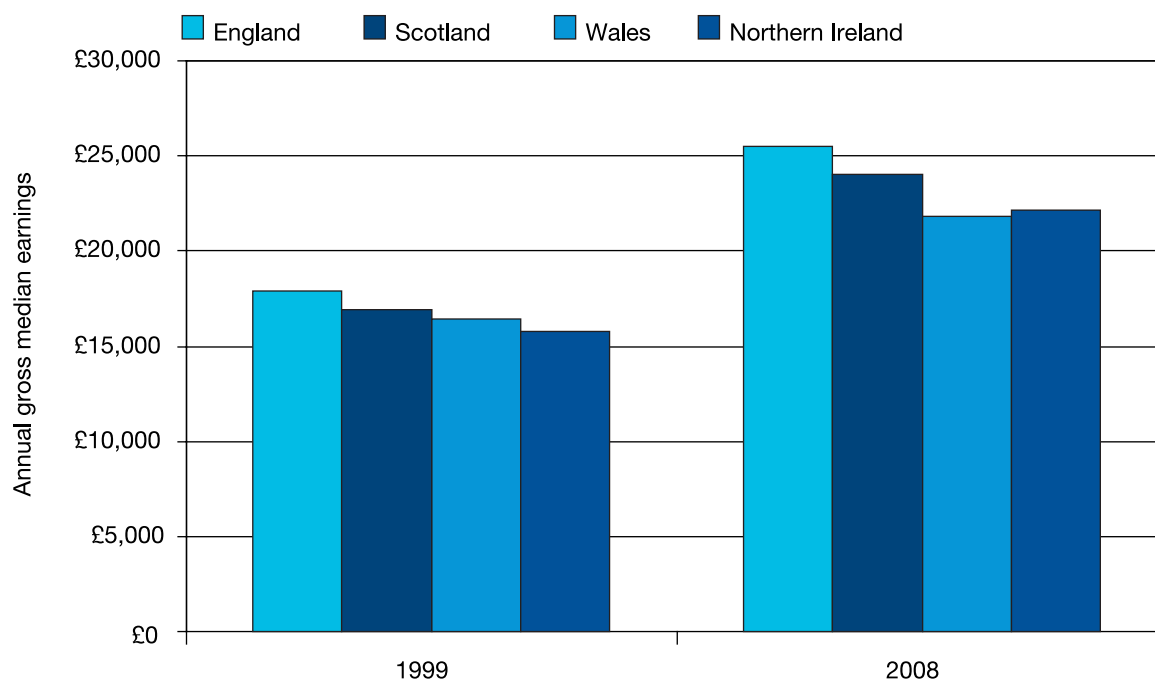
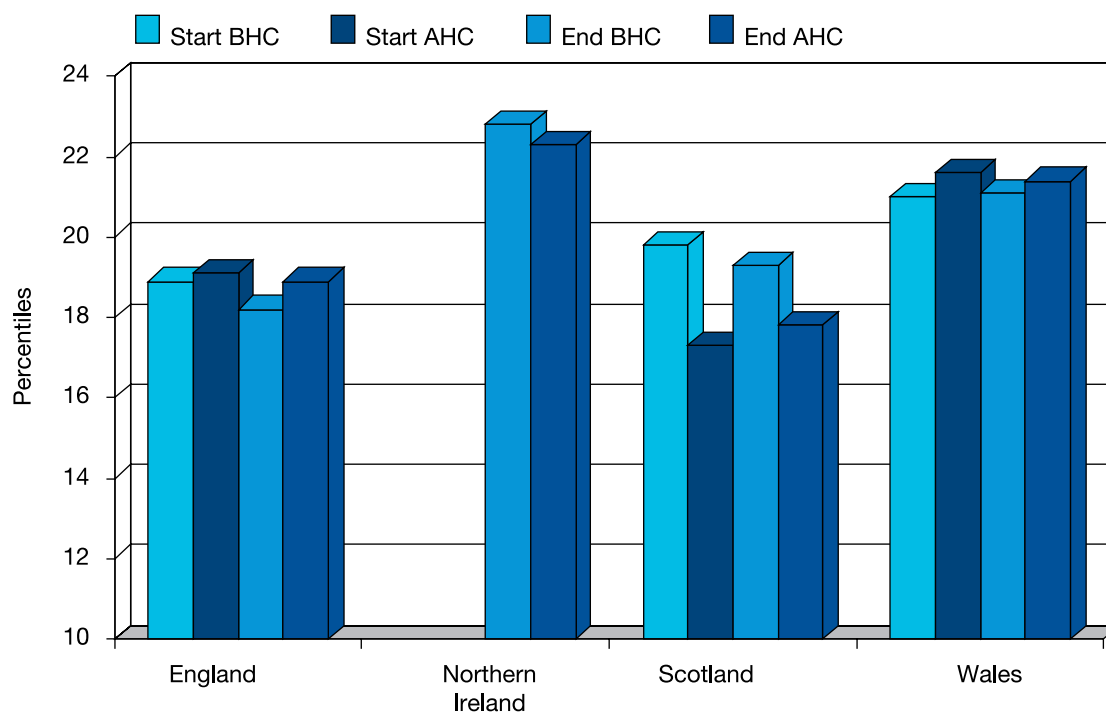


Figure 7: Distribution of the UK lowest income quintile population within the four countries



Ireland and Scotland the reverse is true.

On both measures the proportion of the English population in the UK lowest income quintile declined over the period. In Scotland the proportion declined on the AHC measure; but increased on the BHC measure. In Wales the reverse was true.

It would seem logical to look primarily to AHC measures of low incomes when considering the potential impact of devolved housing policies, but these are also impacted on by wider housing market trends. There are also marked differences in the tenure composition of the low-income populations in each of the four countries, as shown in Figure 8.

In particular it is notable that only in Scotland are more than a half of the lowest income population located in the social rented sector; and this reflects the larger size of the sector in Scotland. Looked at from another perspective, only 38 per cent of all those resident in the social rented sector in Scotland fall within the lowest income quintile.

While a smaller proportion of the overall low-income population are resident in the social rented sector in the other three countries (and particularly so in Northern Ireland), it is also the case that in each of those countries a higher proportion of the total social sector population have low incomes

(44 per cent in England, 49 per cent in Northern Ireland and 50 per cent in Wales).

Thus on the one hand it can be argued that the degree of tenure related social polarisation is far less marked in Scotland than in the other three countries. Conversely it can be argued that the benefits of a social sector tenancy are far less well targeted than in the other three countries.

It is also notable that over the devolution period the proportion of low-income people living in the social rented sector fell in all three of the countries in Great Britain, while the proportions living in the owner occupier sector rose. There were also increases in the minority of low-income people living in the private rented sector in England and Scotland; but there was a decline in Wales.

Alongside the decline in the proportion of low-income people in the social rented sector, there was also an increase in the degree of tenure-based social polarisation in Scotland and Wales; albeit that the degree of polarisation remained lower in Scotland at the end of the period than it was in Wales at the beginning of the period. In contrast there was a slight easing in the degree of tenure based polarisation in England over the period, although again at a higher level than in Scotland. This is shown in Figure 9.

Figure 8: Tenure within lowest income quintile

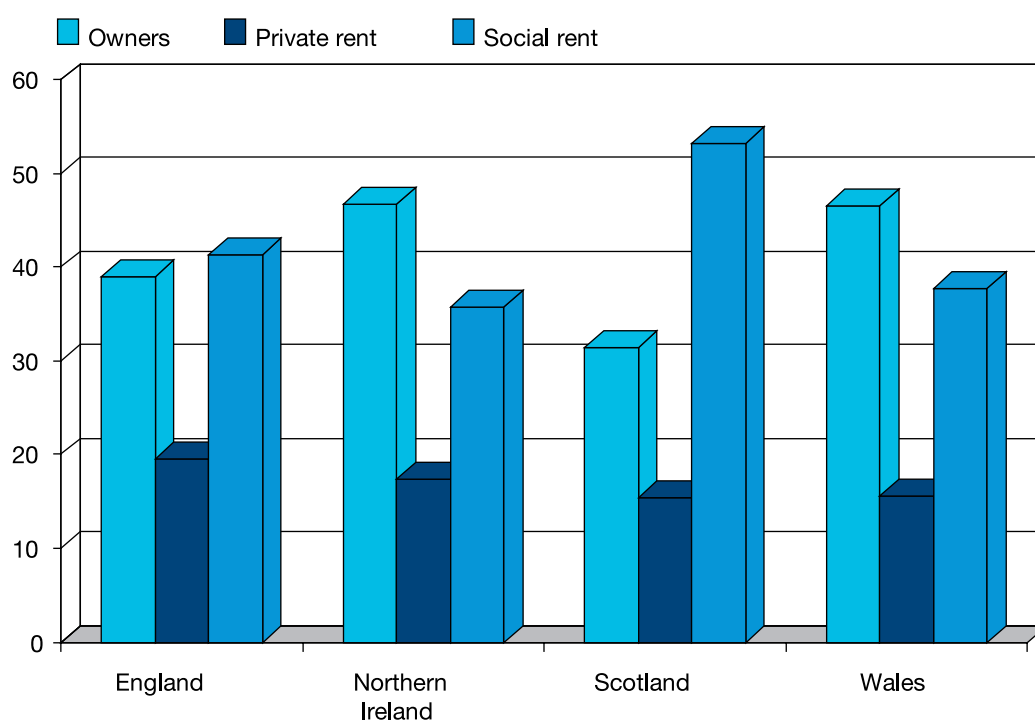
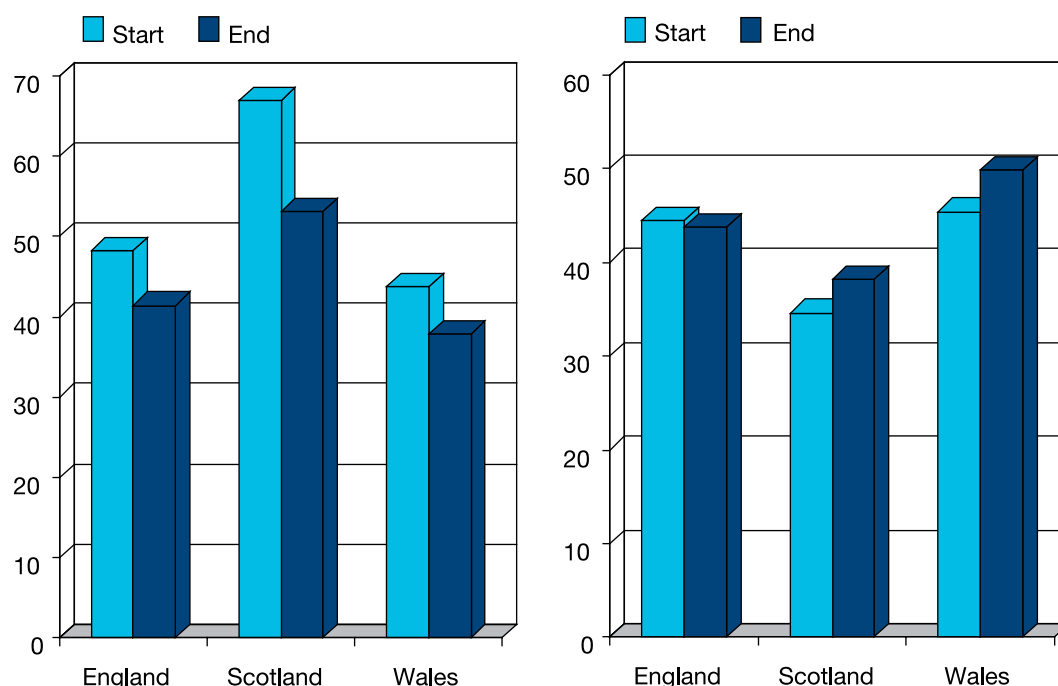


Figure 9: Changes in distribution of people with low incomes in the social rented sector



## Conclusions

There are above (UK) average proportions of low-income populations in Northern Ireland and Wales; and below average proportions in England and Scotland. The highest incidence of low incomes is in Northern Ireland; and this was the case at both the beginning and the end of the devolution decade. The lowest incidence of low-income populations was in England at the beginning of the decade, and this remained the case on the BHC income measure at the end of the decade. However, on the AHC income measure at the end of the decade the incidence of low incomes was lowest in Scotland.

There are important differences in the tenure distribution of low-income households in the four countries. While there is a degree of concentration of low-income households in the social rented sector in all four countries, only in Scotland do more than a half of all those with low incomes reside in the social rented sector. Low incomes and social tenure are not synonymous, and an analysis of housing policy impacts on low-income households therefore needs to examine policies relating to all housing tenures, while at the same time recognising that the relative significance of

those policies and tenures differs between the four countries.

## The national evidence

The question of where the money goes is difficult to address at the national scale. Data on expenditure and resource distribution is only available at the local authority level from information compiled for national reporting. The first difficulty is that there may be inconsistencies in the ways that authorities record expenditure on street cleansing as it can be listed under different headings or combined with a range of other services. Thus, variations in the figures recorded may not reflect variations in actual expenditure or service levels. Indeed, *recorded* figures for street cleansing vary between zero and £42 per person in England, and between £8 and £25 per person in Scotland.<sup>5</sup> The second difficulty is that we do not know how this expenditure is distributed between neighbourhoods or streets within each authority.

The case study analysis therefore provides a significantly more detailed picture on the distribution of resources to neighbourhoods but, for a wider set of authorities, we can at least explore variations in expenditure at the authority level.

We can estimate differences in expenditure by neighbourhood characteristics by assuming that each authority distributes resources equally between different kinds of area. Figure 18 suggests that expenditure is higher in authorities that are more deprived (i.e. it is higher in local authorities that have more wards in the higher deprivation bands). Figure 19 shows a similar picture for neighbourhood density. We have shown earlier that both deprivation and density are factors making for worse cleanliness outcomes. This evidence suggests that the issue is not one of there being no tendency for expenditure resources to relate to the difficulty of the task. Rather, the issue is whether the expenditure response is sufficient to the task, and also how it is used within local authorities.

We can also examine how levels of expenditure relate to outcomes. Figure 20 shows the picture for the 40 English local authorities for which we have data in the LEQSE while Figure 21 shows all 32 Scottish local authorities. In both figures it is apparent that higher expenditure is not related to better outcomes; if anything, the relationship tends to be negative. There are good reasons why this might be the case. Some authorities may spend more because they face higher costs (for staff as in London) or because they have neighbourhoods that are more difficult to keep up to standard (i.e. more of the risk factors identified above) or because of the way in which they categorise expenditure data. It may also be that authorities are not targeting their resources according to needs at a neighbourhood level. The case study work attempts to understand this further. Crucially, this does not mean that *in reality* greater expenditure does not affect cleanliness.

We did attempt to carry out more complex modelling to see whether higher expenditure was associated with better outcomes once we controlled for neighbourhood characteristics. With two of the data sets (the SEH and the BVPI), there is a positive association between expenditure and environmental quality although the relationship is not very strong. This finding is not replicated in Scotland, where the number of separate local authorities is small, nor in an analysis of the LEQSE data. In these cases, the association of expenditure with outcomes is negative. We would

not place great store on this analysis (and have not attempted to report it in detail) as we have very little information on how resources are distributed within authorities and that is obviously key. More detailed work with the case study data is reported below.

## The case study evidence

The purpose of this section is to identify at the case study level how resources are distributed and how this affects outcomes. To start with, Table 1 provides headline statistics about service expenditure although Chapter 3 explains in more detail how these are made up. Total per capita expenditure is similar in Fife and Leeds although it is worth noting that, in Leeds, some of the expenditure comes from beyond core budgets through budgets for time-limited special initiatives. Lewisham has a higher per capita expenditure although, if we allow 25 per cent on salary costs for a London weighting, the more comparable figure would be £16.80. Lewisham's figure is average for London.

The first issue is whether resources are spread evenly between more or less deprived neighbourhoods. Within each authority, we carried out extensive research to try to trace where the money went and we believe that the picture we have been able to produce provides a uniquely detailed insight. In brief, we identified the expenditure in each street as follows:

- Programmed services were delivered through a combination of manual and mechanised street sweepers. We mapped the beats or routes that they followed, identifying how often they swept each street and how many other streets they had to sweep on the same round. This allowed us to estimate the share of programmed expenditure going to each street.
- Responsive services were delivered by mobile teams, reacting to requests for services from the public and from other council staff. We identified how many requests were made in each street and hence the share of expenditure that each received as a result.

- In some cases, special initiatives provided additional services for particular neighbourhoods and that expenditure was also allocated out to streets based on the areas covered and records of activities undertaken.

This enables us to identify how expenditure was distributed across each authority in relation to levels of neighbourhood deprivation (Figure 22). There are three slightly different patterns in evidence here. In Fife, expenditure is relatively equal in the more deprived half of streets but the less deprived streets get slightly less. Lewisham shows a steady increase of expenditure with deprivation, with a third more expenditure in the most deprived streets than in the most affluent streets within the authority. The Leeds case varies most, showing a fairly equal distribution in the most affluent half of the distribution but sharply increasing expenditure in the more deprived half. In Leeds, the most deprived streets have around *five times* as much spent on them as the least deprived, in part due to top-up Neighbourhood Renewal Fund (NRF) funding.

Recalling that cleanliness outcomes are generally worse in more deprived areas, however (see Figure 7 above), this picture of increasing resources targeted at deprived areas suggests an apparently salutary warning. The national analysis reached a similar conclusion as increased expenditure appeared to be associated negatively with outcomes. However, in Chapter 3 we are able to examine the evidence of the case studies much more closely. As will be seen, the case studies suggest a much more complex – and indeed more positive – view of the relationships between services, contexts and outcomes.

We can also examine the distribution of expenditure in relation to both low-income and high-density housing scores (Figures 23 and 24 respectively). The most notable feature of these two charts is that the three authorities all have greater variation in expenditure by physical form than by social composition. In all three cases, there is a continuous increase in expenditure as density rises – particularly strong in Leeds. Only in Leeds, however, does expenditure also rise in line with the proportion of people on low income. In Lewisham, it is broadly flat and in Fife it peaks in the middle of the distribution. Yet the analysis in

the second section above shows consistently that it is low income rather than density that is most strongly related to poor outcomes.

Targeting high-density areas will be a reasonable strategy in authorities where there is a strong correlation between that and low income but this correlation varies enormously between our three case studies alone. There is very little correlation in Lewisham (0.19) where high- and low-income groups are commonly found in terraced housing and flats (reflecting the cost of housing in London and the generally more dense form there). There is a much stronger correlation in Fife (0.60) and a moderate correlation in Leeds (0.35).

As with the national analysis, we carried out a range of investigations to try to identify whether greater expenditure had a positive impact on outcomes, once all the relevant neighbourhood characteristics had been taken into account. As previously, these models did not show clear positive relationships. This does not mean that more expenditure does not have a positive impact. There are a number of reasons why we have not been able to measure it: actual service levels may differ from the records in practice, particularly in the most difficult-to-clean areas; or there may be factors influencing outcomes that we are not capturing. Chapter 3 provides a more detailed exploration of this issue.

## Key messages

- In both the national and the local analysis, there did appear to be a skewing of resources towards the more deprived neighbourhoods. The strength of skewing clearly varied between authorities.
- In spite of this skewing, outcomes were worse in more deprived streets, suggesting that the nature or level of services there was still not sufficient.
- In all three local authorities, resources were clearly skewed towards streets with higher densities but only in Leeds was there consistently higher expenditure in streets with lower-income groups. Yet the earlier



analysis showed that it was that measure that was the single most significant indicator of poor standards. Local authorities may need more encouragement to use measures of social composition as the basis for targeting, rather than physical form.

- The analysis does not show that more expenditure is associated with better outcomes, although there is some evidence for this from some parts of the analysis which follow.

# 3 Promoting supply, access and affordability

The sharp rises in house prices across the UK over the decade (see Figure 4) focused attention on the issues of supply, access and affordability in all four countries. There was a particular focus in England on the issue of overall housing supply, highlighted and examined in detail in the Barker reports (Barker, 2004). This led to government targets set with the aim that new house building rates should be increased so that they at least matched projected levels of household growth, and the establishment of the National Housing and Planning Advisory Unit to advise and assist planning authorities in understanding and responding to these issues.

More recently, Scotland established a Housing Supply Task Force (Housing Supply Task Force, 2009), and Northern Ireland set up the Semple Review on Affordability (Semple, 2007). This was also one of the many topics touched on in the Essex Review in Wales (Affordable Housing Task and Finish Group, 2008). However, while the issue of overall housing supply was recognised as a factor in terms of the affordability of market housing, for low-income households the supply of social sector housing at below market rents is of more immediate concern.

This chapter begins by examining the issues, and the responses in the four countries, related to the overall supply of housing, and its impact on the capacity for moderate income households to access the market sector. It then moves on to consider the issues and responses with respect to the supply of social sector rented dwellings, and in particular the impact of RTB policies. It concludes with a review of the affordability of social sector rents.

## The overall supply of housing

First it is important to stress that shortfalls in the overall supply of housing played only a very limited role in the sharp rise in house prices over

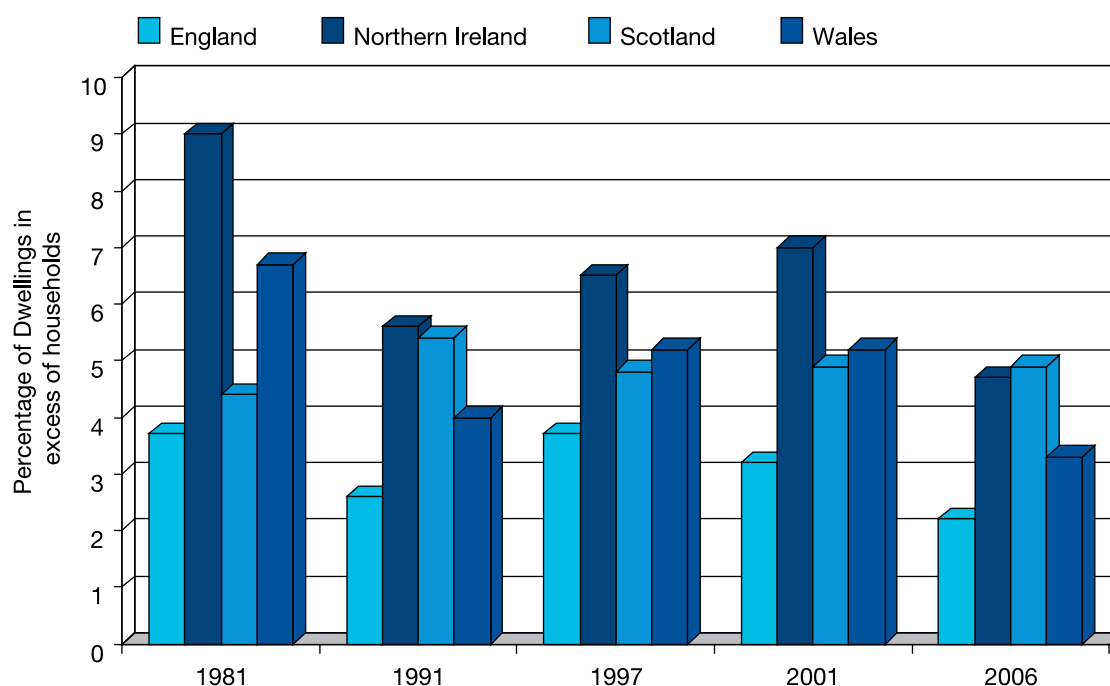
the devolution decade. Sustained economic growth, and interest rates maintained at relatively low levels in a low inflation environment, were the fundamental drivers of house price growth (Miles and Pilonca, 2007). Added to that, from 2000 there was also an impact on prices from the new wave of investment in private rented housing, facilitated by the availability of 'buy to let' mortgages from mainstream lenders at competitive rates (Taylor, 2008).

Before the 'credit crunch', announced in the UK by the collapse of Northern Rock (with its high level exposure to the wholesale financial markets), there is also some evidence of an expectations based house bubble (Gall, 2007), with some lending practices acknowledged in retrospect to be somewhat excessive. These factors should not, however, be exaggerated as the greatest part of the house price rises can be accounted for by the fundamentals. The particularly acute rise (and subsequent fall) in house price rises in Northern Ireland in part relates to the cross-border effects of the economic and housing market boom south of the border, related to Ireland's accession to the European Monetary Union.

All these factors were UK-wide, or driven by market forces over which the devolved administrations had little influence. The issue of housing supply is, however, an area of policy where the devolved administrations do have a greater measure of influence. In examining this issue the first question is simply how far, if at all, did housing supply fall short of household growth over the period prior to devolution, and over the devolution decade.

As Figure 10 shows, the crude balance of dwellings over households declined in England, Northern Ireland and Wales over the devolution decade; but there was no decline at all in Scotland. In all cases the decline primarily occurred in the years between 1981 and 1991 (following the abrupt cessation of council house

Figure 10: Household dwelling balances



building), and subsequently post-2001. There was only a marginal decline in Scotland in the decade between the 1991 and 2001 census; and no decline in the other three countries.

It should also be noted that the official figures tend to understate the balance of dwellings from 2001 onwards, as official household estimates and projections have been adjusted to take account of under-reporting in the 2001 Census; while housing stock figures have been constrained to fit the unadjusted Census results. However, while this suggests that the balances from 2001 onwards are rather higher than shown by the figures, it does not throw into question the evidence of a diminishing balance in England, Northern Ireland and Wales in the years since 2001.

It is also clear that the issue is most acute in England, which by 2006 had by far the lowest crude household dwelling balance (2.0 per cent) of the four countries. Once second homes and vacant dwellings have been taken into account, this suggests an even tighter market.

Within England it should also be noted that there are sharp regional differences, with a large shortfall of supply concentrated in London and the wider South East of England, with little or no shortfall in other regions. The net crude balance of dwellings in London and the wider South East was just 1.6 per cent in 2006, compared to 2.6

per cent in the rest of England. Net of unavoidable levels of vacant dwellings, due to normal turnover and refurbishment, and second homes, this implies a net shortfall of dwellings within London and the wider South East.

The second lowest household dwelling balance at the end of the devolution decade was in Wales, where the balance fell from 5.2 per cent in 1997 to 3.3 per cent in 2006. Again, after allowing for second homes and vacant dwellings this suggests a very tight market.

Despite a sharp reduction over the decade, the balance in Northern Ireland in 2006 still represented 4.7 per cent of the total stock, only marginally lower than the constant 4.9 per cent balance in Scotland.

If the issues around the overall supply of housing were initially raised in the four countries in the context of concerns about rising house prices and home owner affordability, it is now clear there are even greater challenges ahead, both in terms of the higher levels of household growth indicated by the 2006 based projections, and the collapse of house building rates with the advent of the 'credit crunch'. These changed market circumstances pose new challenges for national policies in the years ahead, with difficult trade-offs required between competing policy objectives.

## Housing supply and low-income households

If shortfalls in housing supply contribute to issues around the affordability of home ownership, they impinge on low-income households in different ways. Even in the more affordable years in the housing market cycle, very few low-income households (i.e. the lowest income quintile) move into home ownership.

A high proportion of extant home owner households that are poor entered the sector when they had higher incomes, and then subsequently became poor as a result of unemployment, sickness, divorce, separation or retirement (Burrows and Wilcox, 2000).

The very limited potential for low-income households to directly enter home ownership can be illustrated by 2005 analyses of home owner affordability, that showed that over a fifth of all younger households in the UK were either economically inactive, or did not earn sufficient to pay a social sector rent without support from housing benefit. A further fifth could not afford to buy even at the low end of the housing market (i.e. at lowest decile house prices).

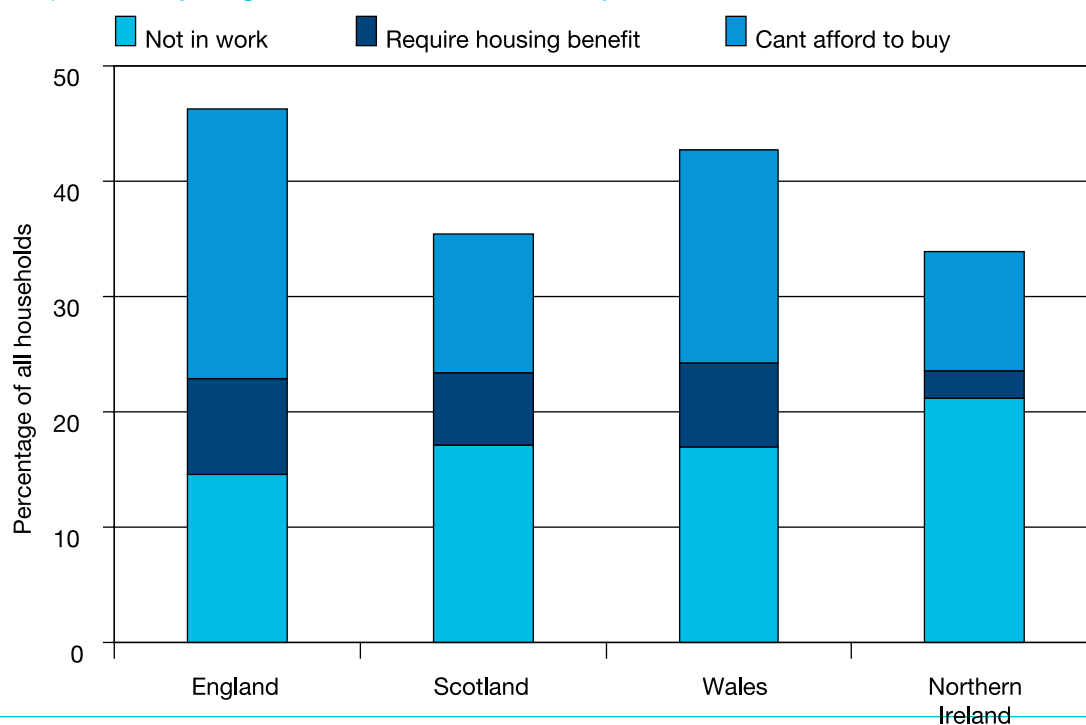
Altogether over two fifths of all younger households in England and Wales could not

afford to access home ownership in 2005. While affordability constraints were not so great in Northern Ireland and Scotland, 33 and 35 per cent, respectively of younger households could not afford to access home ownership in those countries (see Figure 11)

The same point can be made from the other direction. Data from the Regulated Mortgage Survey shows that only a tiny proportion of first-time buyers have very low incomes. In 2006 one fifth of all households in Great Britain had gross incomes below £11,210 a year; while two fifths had incomes below £20,020 (Family Spending, 2007). In the same year, only 1% of all first-time buyers in the UK had gross incomes below £11,500 a year, including buyers exercising the right to buy; and only 9 per cent had incomes below £20,250.

The critical issues for low-income households are thus primarily about access to the social rented sector. While the pressures on the sector are increased by the rising proportion of households unable to buy over the period, the policy domain where the devolved administrations can make a more direct impact is through the supply of social sector rented dwellings, and in other forms of 'affordable' housing.

Figure 11: Proportion of younger households unable to buy in 2005



Source: Wilcox (2006b, 2006c)

## The supply of social sector dwellings

The devolved administrations can impact on the supply of social sector dwellings in a number of ways. The primary measures are the funding and provision of additional dwellings for the sector, and policies regulating the sale of dwellings from the sector. Both of these have a net impact on the stock of dwellings in the sector, and the numbers of lettings becoming available each year for new tenants. The changes in the size of the social sector stock in each of the four countries over the devolution decade are shown in Figure 12. This contrasts the stock levels in 2007 (the latest year for which data is available) with the stock in 1998.

Figure 12 clearly shows that the size of the stock declined in all four countries over the decade, with losses to the social rented sector stock through sales (and demolitions) exceeding the additions to the stock through new provision. Proportionately the decline was most rapid in Scotland and Northern Ireland, but nonetheless even at the end of the decade the social rented sector stock in Scotland formed a much larger proportion of the total stock than in the other three countries, as shown in Figure 13.

The decline in the levels of the social sector stock are also reflected in the levels of lettings

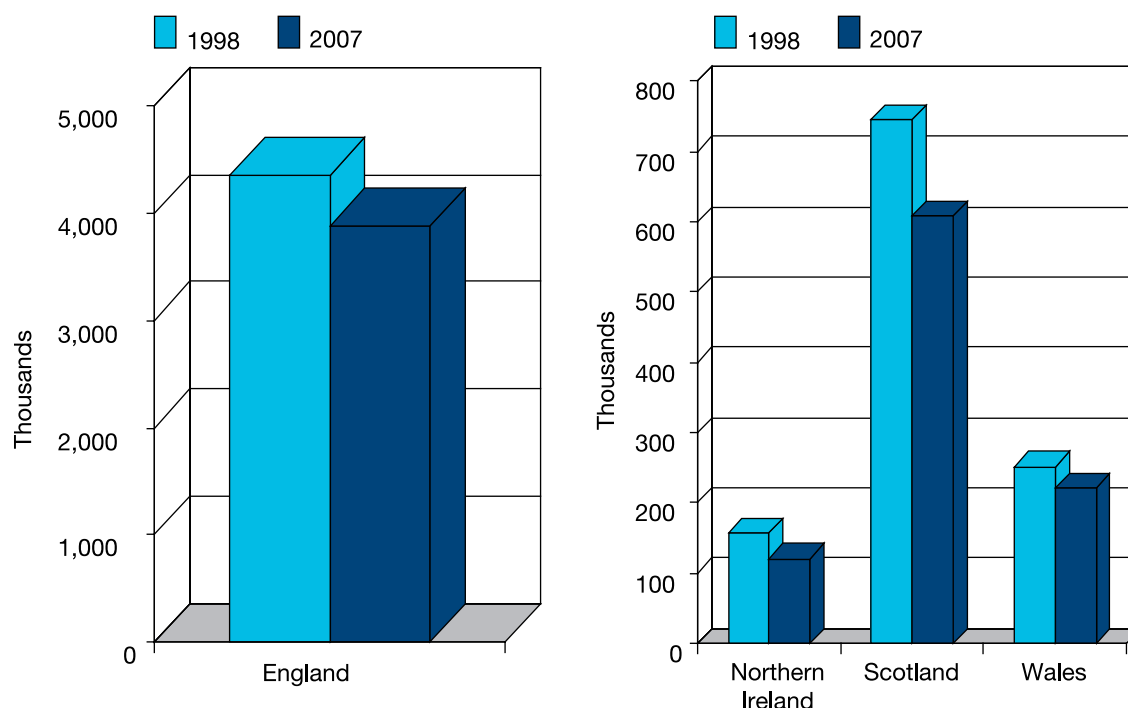
available for new housing applicants. It should be noted, however, that there is a long time lag involved in the impact of right to buy sales on re-lets, with evidence (for England) suggesting that on average right to buy purchasers remain in occupation for some 15 years after the year of purchase (Wilcox, 2006a).

The immediate impact of sales on levels of re-lets is consequently quite small, but builds up gradually over a long period. Conversely it follows that policies to restrict future sales do nothing to prevent the continuing impact of earlier sales, and in turn take some time before its effects are felt on future re-let levels.

Figure 14 shows that the levels of re-lets available to new tenants declined in all four countries over the decade. However, some caution is required with the data, as indicated in the notes to the figure. In addition, the sharp decline shown in the level of lettings in Scotland in 2003 is in large measure a consequence of a hiatus in data collection following the three large local authority stock transfers that year.

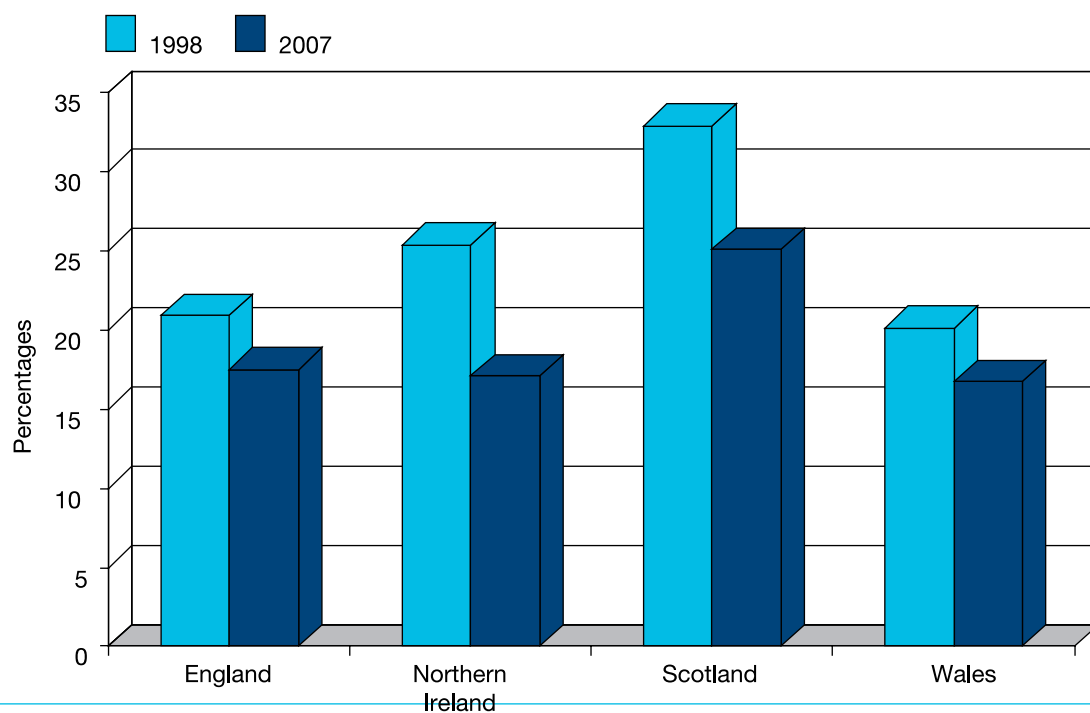
English local authority figures exclude non-secure lettings to the homeless from 2003/04. 'New' tenants include existing tenants moving between the local authority and housing association sectors

Figure 12: Decline in social rented stock



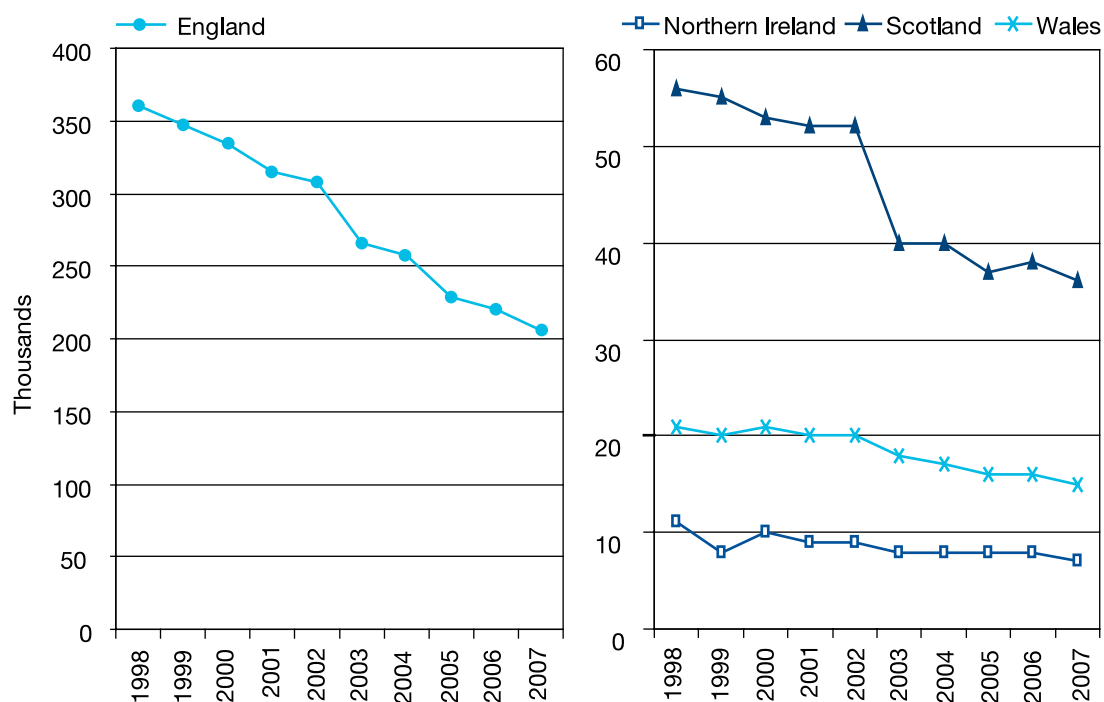
Source: Wilcox (2008a)

Figure 13: Social rented stock as a proportion of total housing stock



Source: Wilcox (2008a)

Figure 14: Lettings to new tenants decline in all four countries



Source: Wilcox (2008a)

The decline in lettings over the period is not, however, solely a function of sales and new build levels. Levels of re-lets also tend to rise and fall over the housing market cycle, as housing market affordability constraints impact on the capacity of existing tenants to move out of social housing, as well as the level of demand from households wishing to enter the sector.

As indicated, a number of factors have contributed to the net decline in the size of the social sector stock in the four countries, and these are examined in turn below, starting with a consideration of programmes to invest in new social rented dwellings.

Precise figures on total numbers of new additions to the social rented stock, in a comparable format across all four countries, are not readily available. Figures on new build are available for all countries; but figures on outputs from national government budgets, or stock additions through the acquisition (and improvement or conversion) of existing dwellings are not so readily or consistently available. Data for Scotland, however, shows that over the last eight years, additions to the social rented sector stock as a result of government funded acquisitions and rehabilitation ran at around 10 per cent of the level of new build completions.

There are even greater constraints on data on numbers of new dwellings funded from housing associations' own resources, or as part of planning agreements. Analysis of the 'S106' planning arrangements in England suggests that very few new social rented dwellings are funded without any government grant input (compared to a greater – but still small – number of shared ownership dwellings) (Monk, 2005). A more recent analysis in Wales, however, suggests that at least in the last year before the credit crunch, S106 agreements had added at least a quarter to the numbers of new social rented dwellings provided in that year (Welsh Economy Research Unit, 2008).

In Scotland, new build social rented sector completions were at a higher level in the devolution decade than in most of the preceding years (although the 1998 completion figures were atypically low). In England completions fell in the initial post-devolution years; but rose again in the second half of the decade, so that completions in 2006 and 2007 were higher than in 1998. However, they still remained at a lower level than the average for the six years prior to devolution.

New build social sector completions fell over the decade in both Wales and Northern Ireland, and in both cases the 1998 completions levels were already well below those in the preceding years (Figure 15).

Figure 15: Trends in social rented new build completions

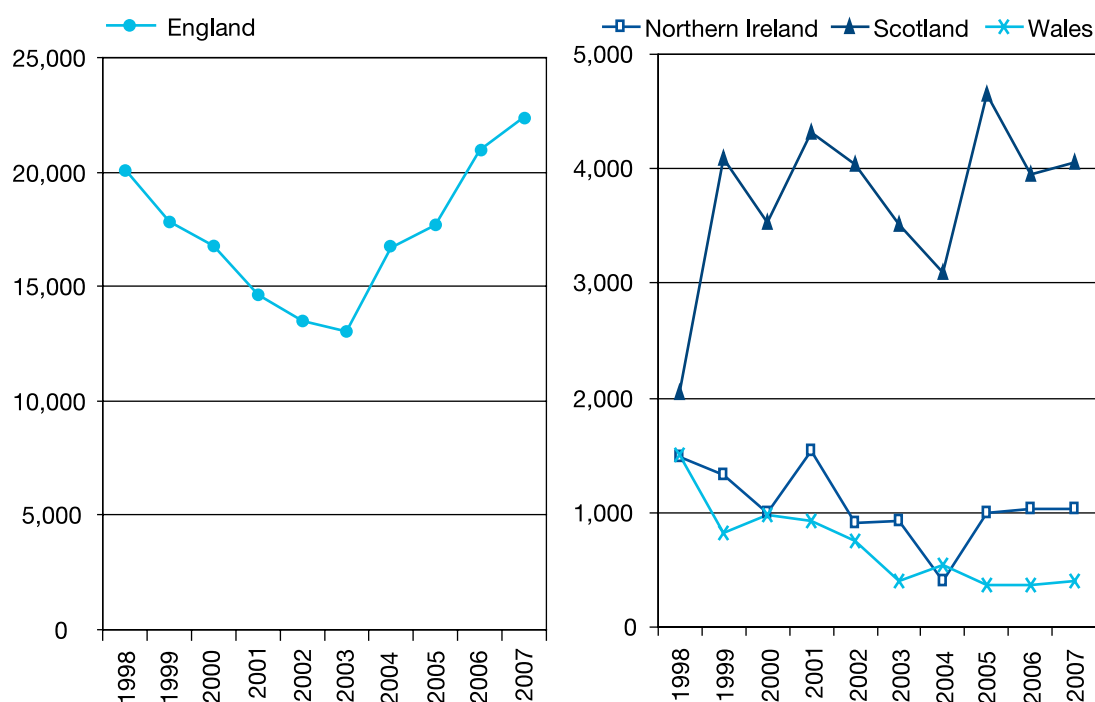
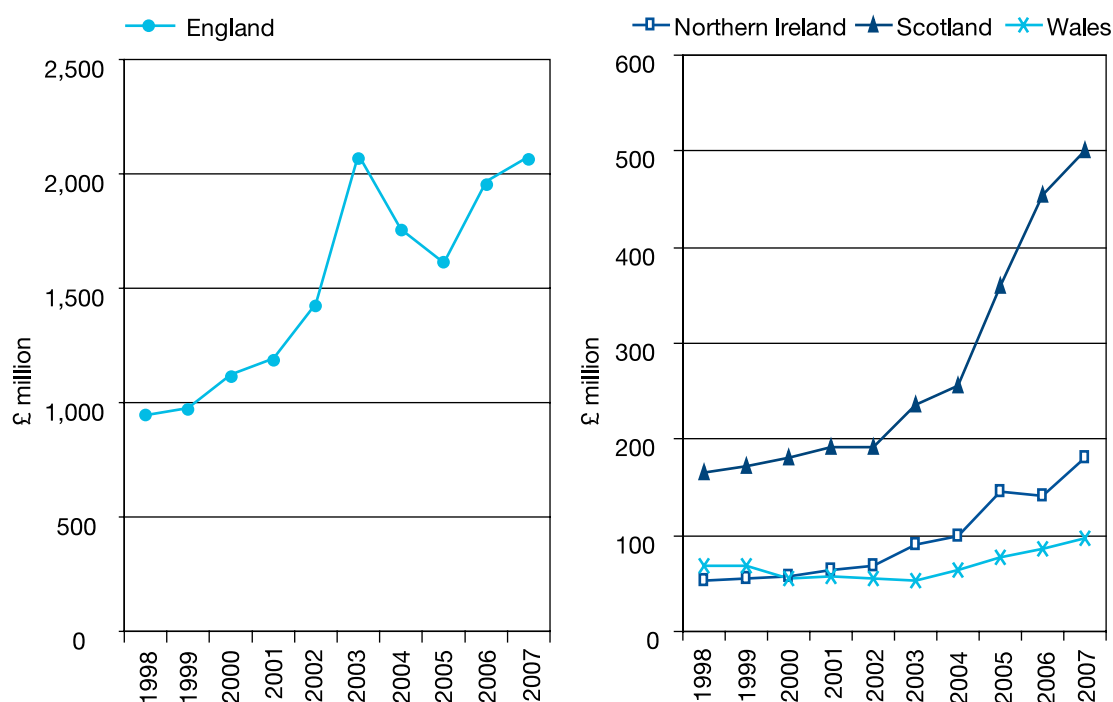




Figure 16: Trends in public funding for new housing association affordable housing



Includes funding for shared ownership and other low cost home ownership schemes

In all four countries, funding for new housing association dwellings increased over the devolution period. However, funding in Wales initially declined, and this only began to be reversed from 2005/06, and the overall net increase was less pronounced than in the other three countries; while in Northern Ireland a substantial new build contribution was also made by NIHE in the early devolution years. Consequently in both those countries the increased housing association funding was insufficient to support any increase in new social rented sector outputs over the decade to 2007 (Figure 16).

It should also be noted that in England a rising proportion of the investment programme was devoted to a range of low cost home ownership schemes in recent years (not included in Figure 15). In the first half of the devolution decade, this comprised less than one sixth of the housing corporation investment budget; in 2007/08 it had risen to over a fifth of the total budget. However, because of the lower unit costs it resulted in some two fifths of the total outputs for the year.

The low cost home ownership schemes make a number of important social contributions. They do not, however, typically make a direct contribution to meeting the needs of those households with the lowest incomes. Thus in 2006/07, for example, while the average net

income for new social sector tenants in England was £9,997 a year, the average gross income for households benefiting from the range of low cost home ownership schemes was £27,084 (Centre for Housing Research, 2007); this was higher than the gross median household income (£25,860).

Thus while low cost home ownership schemes may assist households otherwise unable to access home ownership, and contribute to the social and economic mix in new housing schemes, at best they remove an element of competing demand for social rented housing from moderate income households; they do not directly contribute towards meeting the housing needs of households with the lowest incomes.

## The impact of the right to buy

The other policy impacting on the stock of social rented sector dwellings, and more gradually over time on levels of lettings, is the right to buy (RTB). This is a policy area where there have been significant policy changes post-devolution, that have over the decade begun to impact on levels of sales, and levels of discounts.

RTB enables 'better off' council tenants with moderate incomes to purchase their homes at a substantial discount from open market vacant possession values. Thus, while there are some



positive arguments in favour of the RTB, it is not a policy that directly assists a significant number of low-income households. Tenant purchasers tend to have higher incomes than households that become, or remain as, social sector tenants; albeit they also tend to have lower incomes than households moving into shared ownership and other low cost home ownership schemes.

For example, the average gross income of council and housing association sitting tenant purchasers in the UK in 2006 was £25,820; only 10 per cent had incomes below £13,260 – well above the £11,210 level of lowest quintile incomes for all households in that year.

The issues for low-income households are thus more about the impact of sales, and the use of the receipts from sales, on the future supply of social lettings for low-income households, and on the impact of sales on neighbourhoods.

In all four countries RTB sales (including NIHE sales to sitting tenants) rose in the early devolution years, in response to rising house prices (and house price expectations). However, from 2003 onwards they began to fall, partly as prices had moved beyond the reach of tenants, and partly in response to the new policies introduced to limit the impact of the right to buy, as discussed below (Figure 17).

While sales fell over the decade in all four countries, the levels of sales fell most in Northern Ireland, and least in Scotland.

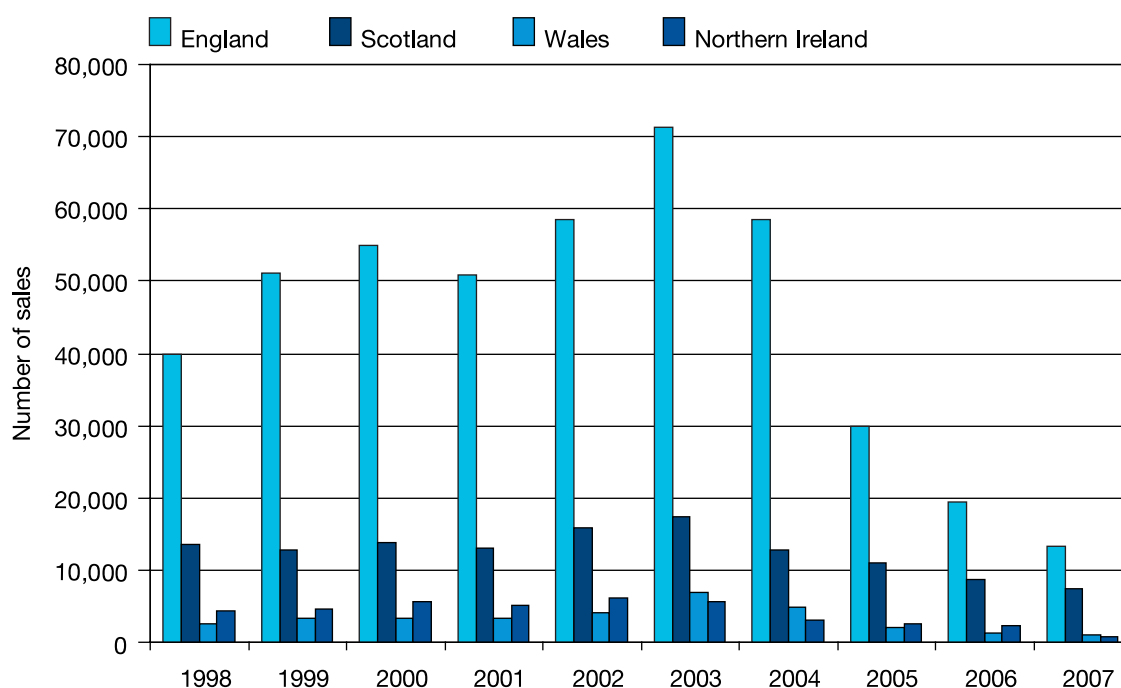
Nonetheless over the decade the sales in Northern Ireland were highest as a proportion of the social sector stock remaining in 2007 (32 per cent); compared to 23 per cent in Scotland, 15 per cent in Wales and 13 per cent in England.

All the devolved administrations have since 1999 introduced measures designed to limit the impact of the RTB, but the policy approaches have differed between the four countries, and in particular between the policies adopted in Scotland, compared to those in England, Wales and Northern Ireland.

Table 1: Current maximum RTB discounts

Country or region	Year introduced	Discount limit
Northern Ireland	2002	£24,000
Scotland (modernised RTB only)	2002	£15,000
Wales	2003	£16,000
London, South East	1999	£38,000
East	1999	£34,000
South West	1999	£30,000
North West, West Midlands	1999	£26,000
East Midlands, Yorkshire & Humber	1999	£24,000
North East	1999	£22,000
High pressure areas in South East	2003	£16,000

Figure 17: RTB sales of council housing



In England, Wales and Northern Ireland, effective discount levels have been reduced with the introduction of lower national and regional 'caps' on maximum discounts (Table 1), while the Housing Act 2004 lengthened the qualifying time for RTB eligibility to five years and made a number of other detailed amendments to its operation in England and Wales.

In contrast Scotland has introduced the 'modernised RTB' in 2002, under which tenants qualify for a 20 per cent discount after five years, and then an extra 1 per cent discount for each subsequent year of their tenancy, rising to a maximum of 35 per cent after 20 years. There is also a maximum cash limit of £15,000. However, the 'modernised' RTB only applies to new tenants since 2002, and existing tenants are still eligible for the old RTB, which in Scotland is not subject to any cash cap on maximum discounts.

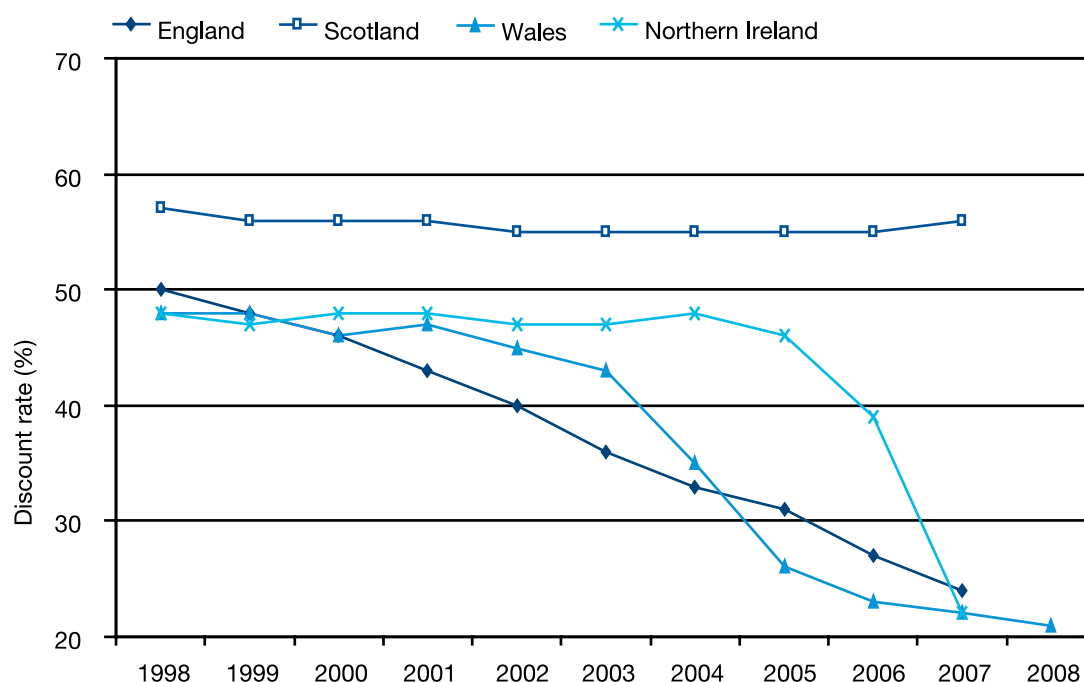
Scotland has also taken (and applied) the power to suspend the operation of the modernised right to buy in selected 'high housing pressure areas' (but not the old RTB). In contrast in 2003 England introduced a lower maximum £16,000 discount cap in selected high housing pressure areas (most of London and a number of other areas in the South East). Wales also reduced its maximum discount to £16,000 in 2003, and more recently has also sought the power to suspend the RTB in high housing pressure areas.

These various measures have resulted not just in the substantial decline in the numbers of sales shown above, but also the average level of achieved RTB discount in England, Northern Ireland and Wales (see Figure 18). Recently available data for England and Wales shows a further decline in achieved discount rates in Wales in 2008, along with further sharp falls in the levels of RTB sales in both countries. However, average discount rates have not yet fallen in Scotland, as to date the great majority of sales have been under the old uncapped RTB, rather than the 'modernised' RTB.

An economic assessment of the RTB suggests that the 'discount' levels of the modernised RTB are broadly in line with the economic value of RTB sales (Wilcox, 2006a). This is because they are sales to sitting tenants with an entitlement to a sub-market rent, who on average remain in residence for a further 15 or so years following the RTB sale. They are not open market sales with vacant possession.

On that basis sales that provide sufficient receipts to invest in two new social rented dwellings from day one broadly balances out with the loss of three re-lets 15 years hence (based on HM Treasury investment methodology). There is no need for a '1 for 1' replacement as the RTB households are the same households allocated their rented dwellings on the basis of housing

Figure 18: Average right to buy discounts



need; it is just that post-RTB they occupy the dwellings as owners rather than tenants.

In practice the problem flowing from the RTB for low-income households is that in the past discounts have been at excessive levels, but also that receipts from sales have not been used to reinvest in new rented stock. Rules on the use of receipts vary from country to country, but in all cases they have in practice been used predominantly to reduce new central government financial provisions and/or to invest in the refurbishment of the retained council stock.

In the short run the cash limits in England, Northern Ireland and Wales have provided a 'quick fix' to bring down discount levels to a point where they represent value for money to the public sector. In the first decade of devolution, Scotland has continued with sales at high values that impose a substantial net replacement cost on the public sector.

Nonetheless the modernised RTB in Scotland offers a better longer-term balance between providing tenure choice to existing social sector tenants, and protecting public sector finances, and thus the resources available for low-income households. If there is a case for Scotland to consider further measures to reduce discount levels for pre-2002 tenants, there is a case for the other three countries to consider the case for structural reforms to the RTB along similar lines to the Scottish 'modernised' RTB.

However, it should be added that the economic evaluation above does not support the case for the suspension of the RTB in high pressure areas. Rather it suggests that provided that discounts are net set at excessive levels, then the more critical concern is to ensure that sales receipts are applied to provide a new supply of social lettings in those areas.

## **The affordability of social sector rents**

The devolved administrations have full formal control over social sector rent levels and policies, although the Scottish Government currently has taken only very limited 'reserve' powers to intervene in respect of decisions by councils on the rents of their housing stock. They are, however, subject to financial constraints under the various

'concordats', that in effect would mean that if they chose to increase council rents more rapidly than was the case in England, then the devolved administrations would be required to meet the consequential additional housing benefit costs from within their own budgets. That constraint does not apply, however, to housing association rents.

In practice council rents in Scotland and Wales, and NIHE rents in Northern Ireland, have increased less rapidly than those in England over the devolution decade. However, while in the initial devolution years this led to the UK Treasury making additional payments to the devolved administrations (for the consequential housing benefit savings), that arrangement was subsequently suspended, on the grounds that it was only intended to protect HM Treasury in the event of higher rent increases by the devolved administrations.

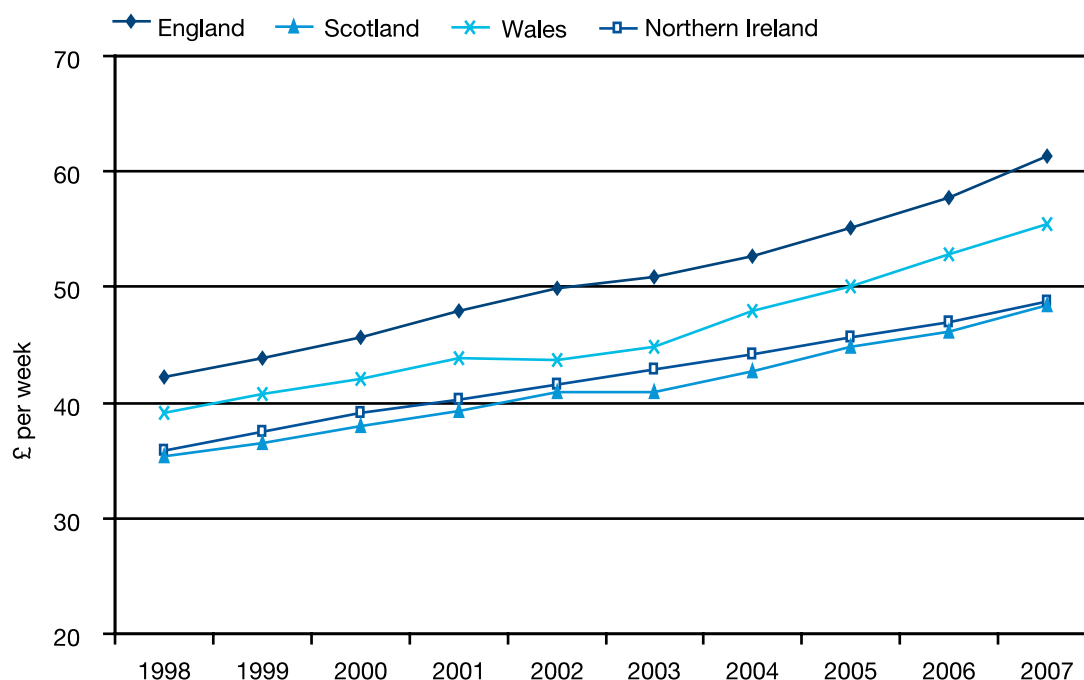
The changes in the levels of average council and housing association rents are shown in Figures 19 and 20. In England council rents increased in line with median full time earnings over the decade, while in Scotland and Northern Ireland the lower rate of rent increases meant that they declined relative to median full time earnings over the decade. While rent increases in Wales were less rapid than in England, earnings growth in Wales was lower over the decade, with the result that council rents rose slightly relative to earnings over the decade.

While lower council rents are clearly more affordable for tenants, they also represent less income being available for expenditure on repairs and improvements, and in both Scotland and Northern Ireland there would have been the opportunity to increase rental income by almost 1 per cent per annum, without increasing rents either relative to earnings, or more rapidly than in England (and thus incurring budgetary costs).

The relative changes in housing association rents over the period were quite different. Housing association rent increases over the decade were lowest in England, under the impact of the 'rent restructuring' policy intended to create more consistency in rent levels both between the council and housing association sectors, and between individual landlords.

While housing association rents in England

Figure 19: Increases in council rents



remained higher than council rents by the end of the decade, the gap between rent levels in the two sectors was significantly smaller. In Scotland housing association rents increased at the same rate as council rents over the decade and consequently also became more affordable relative to earnings.

In Wales housing association rents increased a little more slowly than council rents, and in consequence moved broadly in line with earnings over the decade.

In Northern Ireland, under pressures to maximise outputs from a limited grant budget, housing association rents increased sharply over the decade. However, by 2007 they still remained the lowest in the UK; albeit by then they were some 5 per cent higher than NIHE rents, whereas at the beginning of the devolution decade they had been substantially lower than NIHE rents (Figure 20).

## Conclusions

Only in Scotland did overall housing supply match household formation over the decade. It lagged behind in England, Northern Ireland and Wales, and as a result crude household dwelling balances fell and housing markets tightened. Balances were lowest in England at the end of the decade, and

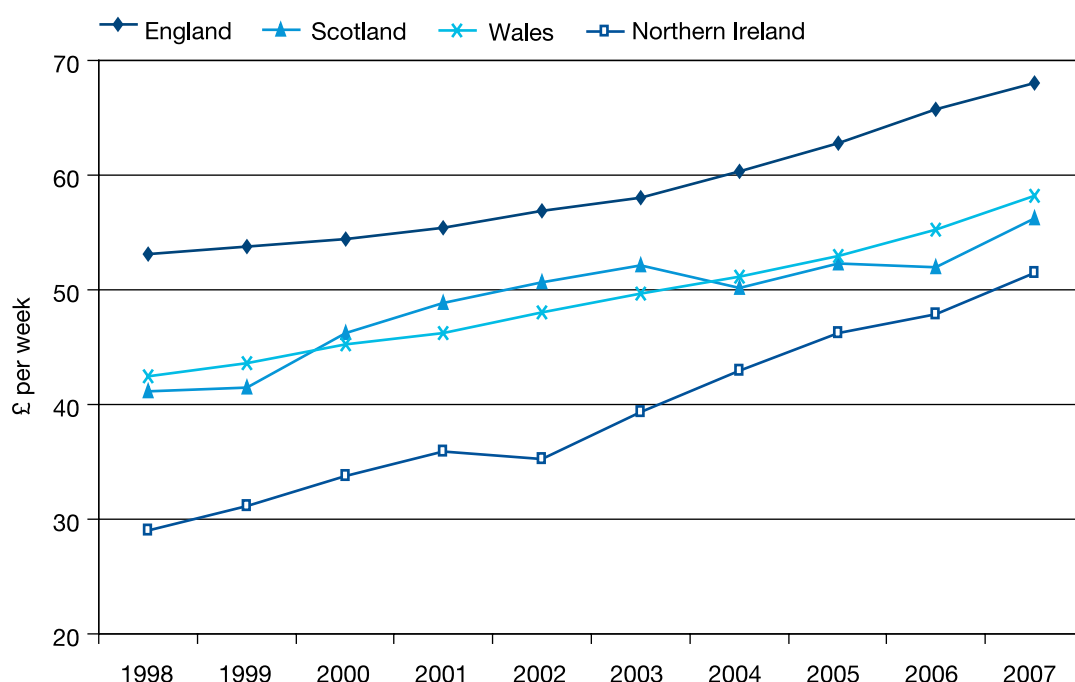
especially so in the south of England.

The stock of social sector dwellings, which are of greatest significance for low-income households, also fell in all four countries over the decade. In all cases stock losses through right to buy sales (and some demolitions) outstripped the provision of new stock. The falls were greatest in Northern Ireland and Scotland, but at the end of the decade social sector dwellings still comprised a quarter of the total stock in Scotland; far higher than in the other three countries.

The rate of new social sector completions substantially increased in Scotland over the decade, but fell slightly in Northern Ireland and Wales. In England new social sector completions initially fell, before rising again, and in 2006 and 2007 were higher than at the beginning of the devolution decade. Those trends reflected critical – and different – decisions on investment priorities by the four countries over the decade.

If Scotland placed the highest priority on the provision of new social sector housing, it also saw, proportionately, the largest losses of social sector stock through the RTB. This reflected the absence in Scotland of any inherited provisions to cap maximum RTB discounts, and the decision to introduce a new and more limited version of the RTB only for new tenants from 2002, with no changes to the RTB of existing tenants. In

Figure 20: Increases in housing association rents



Rents are net of service charges. Northern Ireland figures for 1998 and 1999 are estimates

contrast, existing powers were used to reduce the capped maximum level of RTB discounts in England, Northern Ireland and Wales, and this led a sharper decline in levels of RTB sales compared to Scotland.

Average right to buy discounts were reduced to under 25 per cent in England, Northern Ireland and Wales by 2007 as a result of national, regional and local caps on maximum discounts. Average discounts remained over 50 per cent in Scotland, as the 2002 modernised right to buy for new tenants had not by 2007 had any significant impact, and the Scottish right to buy for existing tenants never included powers to set a maximum cash limit on discounts.

The policies in England, Northern Ireland and Wales have both been more effective in reducing stock losses through the RTB, and in reducing discounts to levels that represent reasonable value to the public sector (given that they are sales to sitting tenants with the right to occupy at substantially sub-market rents and not vacant possession sales).

Looking forward, the discount structure of the Scottish modernised RTB strikes a better balance in supporting the objective of promoting choice and the option of ownership for tenants, without imposing any net costs in terms of public sector

value for money. However, the uncapped 'old' RTB in Scotland still results in higher levels of stock losses, and considerable net public sector costs.

Council rents in England increased in line with earnings over the decade. In proportional terms they increased a little more slowly in the other three countries. However, because of slower earnings growth they increased as a proportion of earnings in Wales.

Housing association rents in England, Scotland and Wales all rose a little less than earnings over the decade, although in all cases they remained rather higher than council rents. While they rose more sharply in Northern Ireland, by 2007/08 they were only slightly higher than NIHE rents, having been below them at the beginning of the decade.

## 4 Addressing homelessness

There has been a frenetic level of policy activity on homelessness in the UK since 1999, driven forward by central government and the establishment of bespoke structures to implement and monitor change.

In England, the Government established the Homelessness Directorate in 2002, which incorporated the former Rough Sleepers Unit, as well as the Bed & Breakfast Unit and the Homelessness Policy Team. The use of statistical targets, financial incentives, extensive good practice guidance, and ‘practitioner-advisors’ drawn from local government, have all been key to the Homelessness Directorate’s<sup>1</sup> notable success in implementing the government’s agenda in England.

In Scotland, a Homelessness Task Force (HTF) was established shortly after devolution in 1999, chaired by the Minister for Social Justice, but with members drawn from across the statutory and voluntary sectors. The Homelessness Monitoring Group is the successor body to the HTF, charged with overseeing implementation of the legislative and other recommendations contained in the HTF’s two key reports (Homelessness Task Force, 2000, 2002).

The Welsh Assembly Government (WAG) also took an early interest in homelessness, with a multi-agency Homelessness Commission established in 2000. The first National Homelessness Strategy was published in 2003 and revised in 2005. Following extensive consultation, a Ten-Year Homelessness Plan for Wales was published in July 2009.

There has been less policy progress on homelessness in Northern Ireland than elsewhere in the UK in recent years, in large part because devolution has been suspended for much of the decade. A multi-sectoral Working Group on Homelessness was established by the Department for Social Development in 2001, but a homelessness strategy for the Province did not

appear until 2007, and the associated legislative changes have yet to be implemented.

This chapter examines the substantive homelessness policies pursued via these varying governance arrangements, and evidence on their outcomes. It begins by considering legislative divergence on homelessness across the UK in the post-devolution period, as well as trends in statutory homelessness and rehousing practices. It then considers the important recent developments on homelessness prevention in the various UK countries, before attention is given to the role played by housing-related support in addressing the needs of homeless people and those at risk.

### Legislative divergence post-devolution

Core to all policy responses to homelessness in the UK is the legislative framework first established in the Housing (Homeless Persons) Act 1977. This framework provides that local authorities<sup>2</sup> must ensure that accommodation is made available to households which are ‘eligible’ for assistance,<sup>3</sup> ‘unintentionally homeless’, and in ‘priority need’. The principal priority need groups are households which contain dependent children, a pregnant woman or a ‘vulnerable’ adult. This ‘main homelessness duty’ can be transferred between local authorities if an applicant has no ‘local connection’ with the area of the local authority to which they have applied and does have a local connection with another UK authority in which they do not run the risk of violence.

The original 1977 Act covered all of Great Britain, but was subsequently incorporated into separate legislation for England/Wales and Scotland. The homelessness legislation was extended to Northern Ireland in 1989.

There has been substantial legislative divergence on homelessness since devolution. Most notably, Scotland has significantly



strengthened its statutory safety net, culminating in the highly ambitious target that virtually all homeless people in Scotland will be entitled to rehousing by 2012 (Anderson, 2009). This target is to be achieved, principally, by the gradual expansion and then abolition of ‘priority need’ status. An interim target has been set for all local authorities in Scotland to reduce their proportion of ‘non-priority’ assessments by 50 per cent by 2009. The Homelessness Etc. (Scotland) Act 2003, which provided the legislative basis for this phasing out of priority need, also allowed for a significant softening of the impact of the intentionality provisions and for suspension of the local connection referral rules (although neither of these amendments have been brought into force as yet). This expansion of the statutory safety net was made possible, in part, by the relative advantage that Scotland enjoys compared with other parts of the UK with respect to the supply of social housing – a relative advantage that has diminished over the devolution period. England, and to a lesser extent Wales, seem to be moving in the opposite direction. This may seem surprising given that the Homelessness Act 2002 repealed the two-year time limit on the main homelessness duty in England and Wales (introduced by the

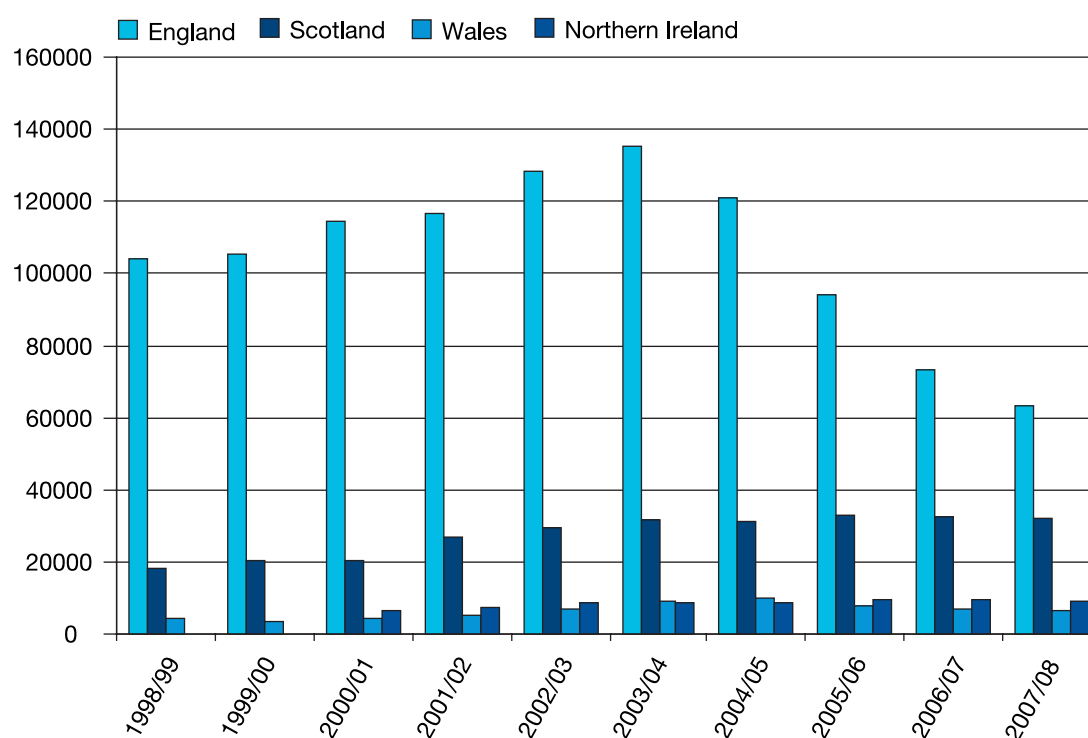
Conservatives in the Housing Act 1996), and secondary legislation also expanded the categories of ‘priority need’ in both countries to include, for example, 16/17-year-olds, care leavers and adults vulnerable due to violence or an institutionalised background. However, the vigorous implementation of the ‘homelessness prevention’ approach in recent years could be seen as raising the statutory assessment threshold, and in this respect represents a ‘rolling back’ of the safety net (see below).

The legislative framework on homelessness in Northern Ireland has remained largely unchanged since its introduction in 1989. While forthcoming legislation is expected to introduce some reforms that will bring it closer to the current position elsewhere in the UK – such as strengthened protection for 16- and 17-year-olds and care leavers – it is not anticipated that there will be fundamental alterations to the statutory safety net in the Province.

### **Trends in statutory homelessness**

In England, the number of statutory homeless acceptances rose steeply in the late 1990s and early 2000s, as housing affordability deteriorated, squeezing many low-income households out of the

Figure 21: Households accepted as owed the main homelessness duty in the UK (1998/99 to 2007/08)



Source: Communities and Local Government (CLG), Scottish Government, WAG, and NIHE. Note that data are unavailable for Northern Ireland until 2000/01

market (see Figure 21). Since 2003/04, however, there has been an unprecedented reduction in homeless acceptances in England, with the total halving by 2007/08. In Wales, similarly, there was a sharp upward trend in homelessness acceptances until 2004/05, but this has since reversed. In Scotland, homelessness acceptances grew steadily up to 2005/06, but have since dropped back slightly; a broadly similar pattern is evident in Northern Ireland.

Current rates of both homelessness presentations ('decisions made' on those seeking assistance) and acceptances (those assessed as owed the main duty) differ significantly across the UK countries – both are much higher in Scotland, and especially in Northern Ireland than in England and Wales (see Table 2).

**Table 2: Homelessness presentations and acceptances per thousand households in the UK, by country in 2007/08**

Country	Presentation rate per thousand households	Acceptance rate per thousand households
England	6.2	3
Scotland	20.9	11.8
Wales	10.4	5.1
Northern Ireland	28.3	13.8

**Source: CLG, Scottish Government, WAG, and NIHE. Assumes 21 million households in England, 2.7 million in Scotland, 1.24 million in Wales and 0.67 million in Northern Ireland; note that all these are projections based on the 2001 Census conducted within each of the countries at different points during the last 3–4 years.**

With respect to Northern Ireland, the explanation for this exceptionally high level of statutory homelessness may lie in the sharp deterioration in housing affordability experienced in the province in recent years (Gray and Long, 2009). With regard to Scotland, it is likely that its more extensive statutory safety net encourages a higher proportion of homeless households, particularly single homeless households, to approach their local authority for help.<sup>4</sup> Such 'single' households (i.e. without dependent children or a pregnant woman) comprise approximately two thirds of those accepted as statutorily homeless in Scotland, as compared with

only around one third in England, and about half in Wales and Northern Ireland.

A key driver of much recent homelessness policy has been concerns about the large numbers of statutorily homeless households in temporary accommodation awaiting rehousing. As Figure 22 shows, the number of households in temporary accommodation rose sharply in England and Wales in the early 2000s before beginning to fall (albeit not as quickly as homelessness acceptances), whereas temporary accommodation placements have continued to climb in Scotland.<sup>5</sup>

### **Housing homeless people**

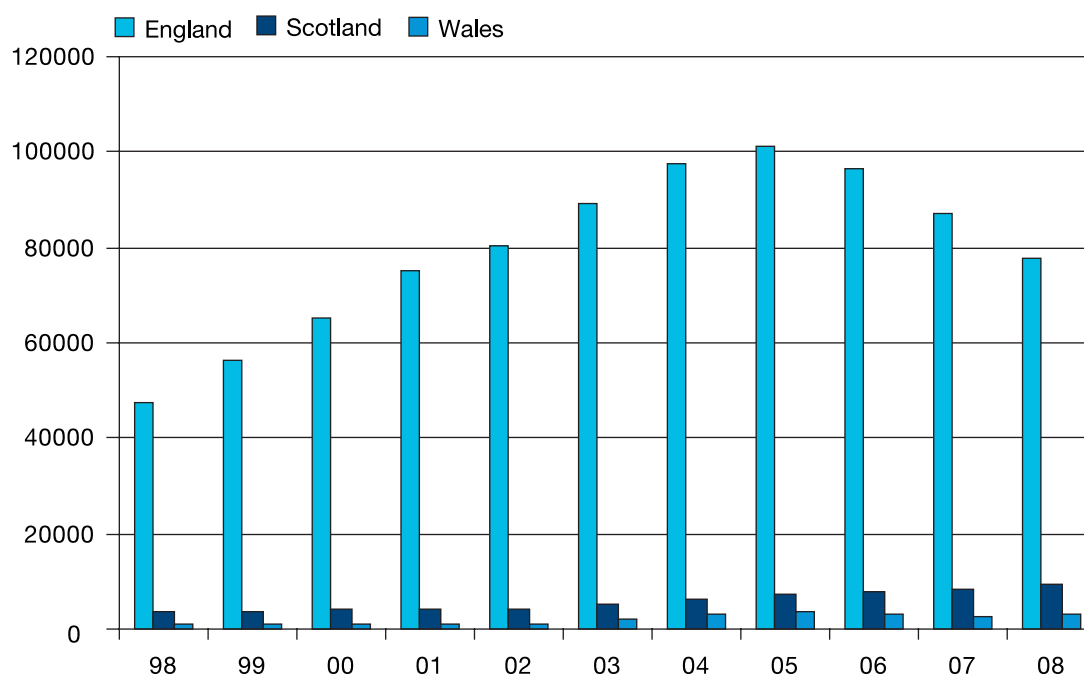
The ultimate test of this statutory system is, of course, the extent to which households accepted as homeless are actually rehoused and sustain that housing.

Statutorily homeless households are entitled to 'reasonable preference' in the allocation of local authority housing throughout the UK; in Scotland they are also entitled to reasonable preference in housing association allocations. Again in Scotland only, there is a legal duty on housing associations to rehouse statutorily homeless households referred to them by a local authority within six weeks, unless they have a 'good reason' not to do so (with the exemptions narrowly drawn). Elsewhere, housing associations are required to assist local authorities with respect to their homelessness duties, and local authorities have substantial nomination rights in respect of the lettings made by housing associations.

In all parts of the UK, the main homelessness duty can be discharged via the offer of an 'assured' tenancy in the private rented sector (with security of tenure), as well as via the offer of a social tenancy. The Scottish Government has recently consulted on legislative amendments which would also allow for discharge of duty into fixed-term private tenancies ('short assured tenancies') with the applicant's consent, so long as certain other conditions were met (e.g. with respect to tenancy length). This would bring Scotland broadly into line with the current position in England and Wales. There appear to be no plans in Scotland for 'compulsory' discharge of duty into fixed-term private tenancies (i.e. without the applicant's consent) as have been mooted in England.



Figure 22: Households in temporary accommodation in Great Britain (1998–2008)



Source: Communities and Local Government, Scottish Government, and WAG. These are 'stock' figures on the numbers in temporary accommodation at end of the first quarter of each year for England and Scotland, but for the last quarter for Wales

While data on discharge of duty is not directly comparable across the UK countries, it is clear that by far the most common outcome of the statutory process is acceptance by the household of a social rented tenancy. Only very small proportions of households owed the main duty accept a tenancy in the private rented sector (around 6 per cent in England<sup>6</sup> and less elsewhere).<sup>7</sup>

Significant numbers of statutorily homeless households (up to one third in total across the UK) 'leak' out of the statutory system without being rehoused because they voluntarily leave temporary accommodation, refuse a 'suitable' tenancy, return to previous accommodation, lose contact with the local authority before duty is discharged, etc. (see also O'Callaghan *et al.*, 1996).

There is no data currently available on patterns of tenancy sustainment among those rehoused as homeless in any of the UK countries.<sup>8</sup> However, administrative data on 'repeat homelessness' in Scotland indicates that around 20 per cent of all applications are from households who have applied as homeless on at least one previous occasion. A key driver of multiple homelessness applications appears to be a need for support with drug or alcohol problems.<sup>9</sup>

There is no routinely published data on repeat statutory homelessness anywhere else in the

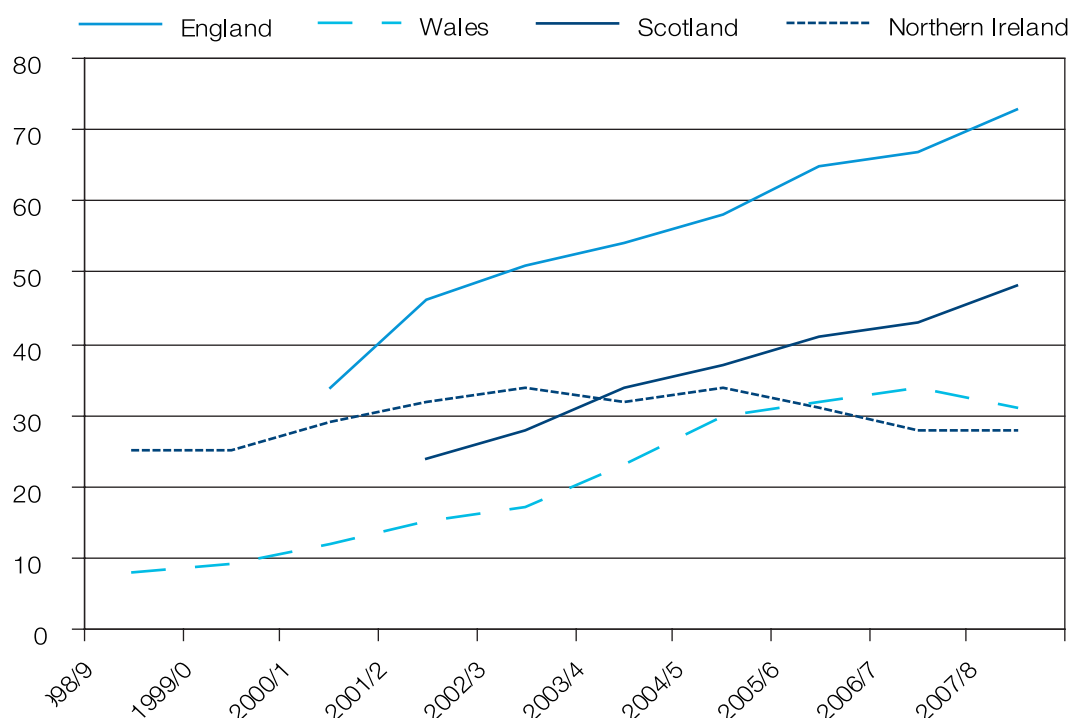
UK, but survey evidence from England in 2005 indicated that 13 per cent of statutorily homeless families had made a previous homelessness application (Pleace *et al.*, 2008). Earlier research in England (O'Callaghan *et al.*, 1996) had suggested a higher figure – that around a quarter of all homeless applicants had made a previous application at some point. However, this earlier study included single people whom we know are much more likely than families to apply for homelessness assistance repeatedly.

### 'Squeezing out' other groups in housing need?

A long-standing concern with the statutory system is the extent to which lettings to homeless households 'crowd out' lettings to other households, potentially exacerbating 'perverse incentives' to take the 'homeless route' as a 'fast-track' to a social tenancy (Hills, 2007). The available evidence, while limited, is not suggestive of widespread manipulation of the homelessness provisions (Pleace *et al.*, 2008), but questions of 'fairness' with respect to social housing allocations to this group remain (see below).

As Figure 23 demonstrates, the proportion of local authority lets to new tenants made to statutorily homeless households has risen in

Figure 23: Percentage of local authority lets to new tenants made to statutory homeless households (1998/99 to 2007/08)



Source: Wilcox (2008a). Note that the figures for England, Scotland and Wales are restricted to local authority lettings, whereas in Northern Ireland both NIHE and housing association lettings are included

all four countries in the UK in the period since devolution. However, in England this increase started to reverse from 2004/05, so that by 2007/08 it stood at 28 per cent (similar to the figure back in 1998/99 of 25 per cent). The proportion of lets allocated to statutorily homeless households remains much larger in some high demand areas in England – particularly inner London.

In Wales, there has been an extraordinary four-fold increase in the proportion of local authority lets made to statutorily homeless households since devolution – from 8 per cent in 1998/99 to 34 per cent by 2006/07. However, this figure did drop back to 31 per cent in 2007/08, probably reflecting the recent decline in homelessness acceptances in Wales (see above).

In Scotland, too, the proportion of local authority lets made to homeless households has grown rapidly over the past decade. While the national figure stood at 48 per cent in 2007/08, this masks strong variations between Scottish local authorities (Pawson and Davidson, 2008). The proportion of local authority lets absorbed by statutorily homeless households seems set to grow further in many areas of Scotland, as the

widening of priority need takes place.

The proportion of NIHE and housing association allocations in Northern Ireland made to statutory homeless households has doubled in the period since devolution. It now stands at 71 per cent of all social lettings to new tenants in the Province – the highest level in any of the UK countries by some margin.<sup>10</sup>

The proportion of housing association lets to new tenants made to statutorily homeless households has also risen sharply in recent years: from 11 per cent in England in 1998/99 to 23 per cent by 2007/08; and in Scotland, from 13 per cent in 2003/04 to 25 per cent by 2007/08. In Wales, the equivalent figure was 14 per cent in 2006/07 and 16 per cent in 2007/08 (earlier trend data is not available for Wales).

Thus, across the UK there are often relatively high, and in some cases growing, proportions of social housing lettings absorbed by statutorily homeless households. This is linked to the decline in the overall number of lets available to new tenants in all four countries, as discussed in Chapter 3. In an allocation system based primarily on ‘housing need’, the extent to which this trend is of concern turns largely on whether statutorily

Table 3: Characteristics of new social housing tenants in England, by homelessness status 2007/08

	Statutorily homeless	Other homeless	Not homeless
Proportion of lets to black and minority ethnic households	14%	17%	13%
Proportion of lets to lone parents	36%	18%	20%
Proportion of lets to people not in work	77%	68%	63%
Mean weekly household income	£121.08	£133.56	£145.18

**Source: CORE Lettings Log (includes both housing association and local authority new general needs lettings only). Percentages are rounded**

homeless households are in fact more ‘needy’ than other households seeking social housing.

Data from CORE confirms that statutorily homeless households are a more socially disadvantaged group than other new social tenants in England. As Table 3 shows, tenants who are rehoused as statutorily homeless are significantly more likely to be lone parents than other new tenants, are less likely to be in work, and have a lower average weekly income. There is a similar pattern evident in Scotland (though based on less reliable data). There is no equivalent data for Wales or Northern Ireland.

One could contend that, even if statutorily homeless households are socially disadvantaged relative to other new social tenants, this does not necessarily mean that they have experienced any greater ‘long-term housing need’ than other groups seeking social housing (Fitzpatrick and Stephens, 1999). However, the above evidence is at least suggestive of statutory homelessness being a reasonable proxy for sustained housing need. In any case, the particular distress caused by the crisis nature of homeless households’ loss of last settled accommodation, coupled with the insecurity and sense of ‘life on hold’ associated with living in temporary accommodation (Pleace *et al.*, 2008), could plausibly be argued to justify the ‘reasonable’ (not overriding) priority that they have to be given in allocations (Fitzpatrick, 2008).

A different (in fact opposite) concern about high proportions of lettings to very ‘needy’ homeless households is that these will exacerbate the residualisation and stigmatisation of the social rented sector, and may reinforce the ‘neighbourhood effects’ which can exacerbate the

social exclusion faced by poor tenants. However, this is a debate which goes beyond issues related to statutory homelessness and relates to the balance to be struck between meeting ‘housing need’ and promoting ‘mixed communities’ in social housing policy more generally (see Fitzpatrick and Stephens, 2008; Hills, 2007).

## Preventing homelessness post-devolution

A key policy innovation in the post-devolution period has been the growing emphasis on homelessness prevention. This prevention agenda has been pursued with most vigour in England, where it was prompted by a particularly sharp increase in the number of statutorily homeless households in temporary accommodation in the early 2000s (see Figure 22). In 2005, the Government introduced an official target to halve the number of households in temporary accommodation in England by December 2010 (Office of the Deputy Prime Minister (ODPM), 2005). This target has undoubtedly been a powerful device in promoting the official prevention agenda in England.

Critical to the English agenda on prevention is the ‘housing options’ approach. Under this preventative model, households approaching a local authority for assistance with housing are given a formal interview offering advice on all of their ‘housing options’. This may include being directed to services such as family mediation or rent deposit guarantee schemes that are designed to prevent the need to make a statutory homelessness application.

Wales has seen the official promotion of a prevention/housing options approach similar to that in England and, as in England, the implementation of this agenda has been associated with a sharp drop in levels of statutory homelessness acceptances. Concerns have been raised in both jurisdictions about the extent to which these trends represent ‘genuine’ reductions in the level of homelessness or arise, at least in part, from increased local authority ‘gatekeeping’ which may on occasion amount to a denial of applicants’ legal rights (Clapham *et al.*, 2009; Pawson, 2009a).

In Scotland, too, prevention has moved up the agenda, but interventions have been relatively limited and largely experimental (Pawson *et al.*, 2007). New Scottish guidance has been published on homelessness prevention,<sup>11</sup> but the approach has remained cautious. This caution appears linked to anxieties on the part of the Scottish Government not to be seen to ‘dictate’ to local authorities in the context of the national Concordat (Anderson, 2009), as well as to avoid allegations of gatekeeping of the type that have emerged in England and Wales. However, such gatekeeping is in fact much less likely in Scotland than elsewhere in the UK because of its rolling programme of regulatory inspections of local authorities’ housing and homelessness functions (Pawson and Davidson, 2008). In Northern Ireland, homelessness prevention appears to be only now moving onto the agenda. This lesser attention to prevention may explain why statutory

homelessness has declined later, and less, in these two parts of the UK than in Wales and England.

In order to be effective, preventative policies have to target the key causes of homelessness. As Table 4 shows, the main ‘trigger’ for statutory homelessness across the UK is relationship breakdown of various kinds: with parents, with other relatives or friends, or with a partner (both violent and non-violent). Hence the emphasis within homelessness prevention programmes, within England at least, on ‘family mediation’ (especially for younger people leaving the family home) and ‘sanctuary schemes’ (which provide security measures and support to enable those at risk of domestic violence to remain in their homes).

The ending of a fixed-term tenancy is the only other category of a substantial size in England (it is not possible in the rest of the UK to separately identify ending of fixed-term tenancies from other loss of tenancies).

Loss of social or private sector tenancies because of rent arrears is a much less important cause of statutory homelessness across Great Britain (no breakdown in reasons for loss of tenancy is available for Northern Ireland). This is probably in part because households with rent arrears are likely to be found ‘intentionally homeless’.

Eviction rates in social housing have in fact shown a decline in England for some years now. By 2007/08, these stood at around 0.4 per cent of local authority tenancies (Pawson, 2009b<sup>13</sup>) and 0.56 per cent<sup>14</sup> of housing association tenancies.

Table 4: Reasons for homelessness (2007/08)<sup>12</sup>

	England	Scotland	Wales	Northern Ireland
Parents no longer willing or able to accommodate	23%	25%	21%	24%
Other relatives or friends no longer willing or able to accommodate	13%		8%	
Violent relationship breakdown with partner	12%	16%	7%	13%
Other relationship breakdown with partner	6%	£133.56		£145.18
Mortgage arrears	4%	1%	4%	1%
Rent arrears	2%	5%	1%	17%
End of (fixed-term) tenancy	15%	9%	24%	
Loss of other rented or tied housing	5%			
Other reasons	19%	31%	21%	41%
Total	100%	100%	100%	100%
Base	63,180	56,609	6,367	19,030

Source: CLG, Scottish Government, WAG, NIHE

In Wales, the figures were higher at 1.6 per cent of local authority tenancies, and 1.0 per cent of housing association tenancies.<sup>15</sup>

The Scottish local authority eviction rate is also somewhat higher than that in England, standing at 0.67 per cent in 2007/08;<sup>16</sup> though the housing association eviction rate (at 0.57 per cent)<sup>17</sup> is very similar to that of England. Both the local authority and housing association eviction rates have risen over the past few years in Scotland (Pawson, 2009c).

In all parts of the UK, evictions from the social rented sector are overwhelmingly due to rent arrears. Thus, the declining eviction rate in English local authorities has paralleled falling arrears levels, associated with improved arrears management and the pre-eviction protocol for rent arrears actions introduced in 2006, as well as the now very strong emphasis on homelessness prevention.

No data is available on eviction rates in the private rented sector, and direct comparisons between the social and private rented sector on this measure would in any case be conceptually problematic because of the preponderance of fixed-term tenancies in the latter. However, some indication of the de facto level of insecurity in the private rented sector is given by the recent survey of private landlords in Scotland which suggests that the ending of around one in eight private tenancies is attributable to landlord action (Crook *et al.*, 2009).

Particular concerns are focused at the moment on repossession rates among home owners, which have risen sharply since the beginning of the credit crunch. In 2004 first charge mortgage possessions across the UK were at a 20-year low of around 8,200 homes, but since then the number of first charge possessions has been rising, reaching 40,000 in 2008, and is estimated to reach 65,000 homes in 2009 (this estimate was recently revised downwards by the Council of Mortgage Lenders (CML) from 75,000) (Council of Mortgage Lenders, 2009).

These figures are not disaggregated by CML into the constituent countries of the UK, but analysis of mortgage possessions in Scotland cautiously indicated that the rate of possessions may be higher than elsewhere in the UK (Bramley

*et al.*, 2009). The same study suggested that up to a third of all repossessed home owners in Scotland are accepted as statutorily homeless.

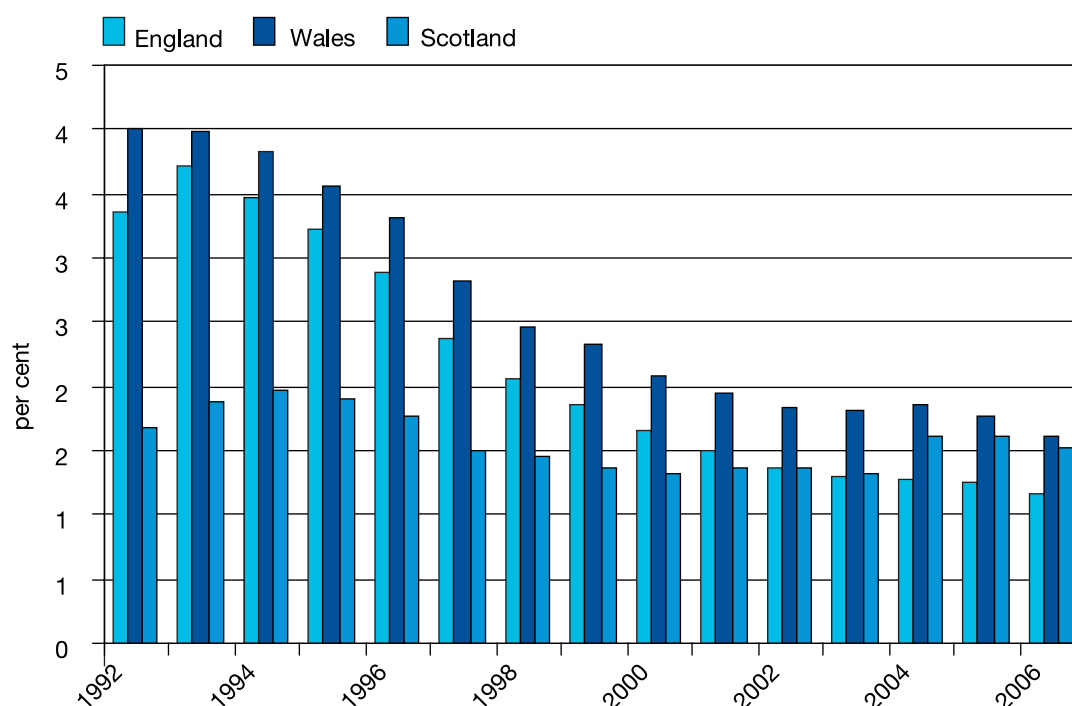
A further indication of differences in the proportions of mortgagors with some difficulty in each country is provided by analysing the numbers receiving state 'Support with Mortgage Interest' (SMI) (see Figure 24). Over the decade to 2006 numbers declined in all countries, with the exception of Scotland, partly as a result of a benign period of economic growth, and partly as a result of the increasing impact of the rules preventing households with post-1995 mortgages and becoming unemployed from receiving SMI for a nine-month period (this period has now been shortened as part of the package of measures to support vulnerable home owners during the recession).

That the numbers remained constant in Scotland may reflect the more recent rapid growth in owner occupation in Scotland. More generally, the data shows a far higher proportion of home owners in receipt of SMI in Northern Ireland than elsewhere, and the proportion in England somewhere below that in Scotland and Wales.

The devolved administrations have responded differently to risk in the homeownership sector. The Scottish Mortgage to Rent scheme was launched in 2003 and, by converting their owner-occupied home to a social housing tenancy, had prevented 624 households from losing their housing by the beginning of 2008 (averting an estimated 8 per cent of possessions each year). The scheme has subsequently been expanded to include the option of a shared equity exit from full homeownership. Similar mortgage rescue schemes are only becoming operational during 2009 in England and Wales; these new schemes are small scale and targeted on those households most vulnerable to homelessness.

A 'pre-action protocol' for mortgage arrears claims was introduced in the courts in England and Wales in 2008, and will be adopted in Northern Ireland from late 2009. The protocol is designed to ensure that the courts only grant lenders' possession actions as a 'last resort'. There are currently no plans to introduce the pre-action protocol in Scotland, though given that lenders' mortgage collection processes are UK-wide, any

Figure 24: Proportion of owner occupiers receiving support with mortgage interests



Source: Calculated from Table 17 and 112 UK Housing Review 2007/8 (Wilcox, 2008)

benefits associated with the pre-action protocol are likely to be experienced by Scottish borrowers in arrears too.

On a slightly different tack, Scotland has brought into force legislation that requires creditors, as well as private landlords and housing associations, to alert the relevant local authority that they are intending to evict or repossess, with a view to enabling the local authority to try to prevent homelessness wherever possible.

Finally, some mortgage lenders have agreed to join a UK-wide scheme, the Homeowner Mortgage Support Scheme, whereby the government provides guarantees to help lenders support defaulting borrowers by allowing them to defer a portion of payments due for up to two years. The scheme is complex, and the extent to which it will help borrowers in arrears over and above those already being assisted by lenders' individual forbearance policies remains uncertain. The lender forbearance that we have seen thus far seems to owe more to market conditions and the desire to avoid losses arising from negative equity than to these government measures, though they will have undoubtedly contributed to the climate in which lenders felt compelled to act (Ford and Wallace, 2009). It is uncertain whether the current extent of

forbearance will persist once the market changes.

Before leaving this topic, it is worth bearing in mind that during the last housing recession, the proportion of statutory homelessness acceptances prompted by mortgage arrears never rose above 12 per cent in England (in 1991), and was lower elsewhere in the UK. In 2007/08, mortgage arrears accounted for 1–4 per cent of all reasons for acceptance as homeless in the UK countries (see Table 4; it is also worth noting that the latest quarterly statistics for England, for the first quarter of 2009, indicate that only 3 per cent of homelessness acceptances were related to mortgage arrears). So it is unlikely that even the very large recent hike in repossessions will have a major impact on overall levels of statutory homelessness.

In fact, it is conceivable that the recession may lead to a drop in statutory homelessness acceptances (as it did in the early 1990s recession). There are already signs that statutory homelessness is being eased by an expansion in the availability of accommodation in the private rented sector, as some owners who are struggling to sell their properties rent them out instead. Moreover, if the current 'mortgage famine' ends and falling house prices lead to improved



affordability in the owner occupied sector, this may have second-order effects which boost the number of social lets available for those in housing need.

That said, the fact that the mortgage market that emerges from the current turmoil is likely to be characterised by more prudent lending ('super-prime'), in contrast to the market that emerged after the 1990s recession which included the 'sub-prime', may mean that these impacts on homelessness play out differently from last time round. Much also depends on how differently the post-2007 recession might affect homelessness under the new 'prevention-focused' regime, particularly in England.

## Providing housing support to homeless people and those at risk of homelessness

This Supporting People (SP) national (UK) funding stream, introduced in 2003, provides 'housing-related' support for a range of vulnerable groups, with homeless people and those at risk of homelessness key amongst them. The numbers assisted are significant: in 2007/08, for example, the SP programmes in England and Scotland supported, in combination, over 100,000 homeless individuals or families.

Typically, these SP-funded services provide help with claiming benefits, budgeting, furnishing accommodation, accessing health and other services, and finding 'purposeful activity'. They are often provided on a 'floating' basis to people living in mainstream accommodation, but are very diverse with respect to the intensity and duration of support they offer. The providers of most SP services are voluntary sector agencies, though there is some direct local authority provision, especially in Scotland.

The pattern of provision of housing support services tends to follow a similar pattern across the UK. Services working with the broadly defined 'socially excluded' group, which includes homeless people and those at heightened risk of homelessness (such as people involved in substance misuse, former offenders and people with mental health problems), accounts for 18–20 per cent of service places in most areas. However,

these services are overwhelmingly provided for short periods; consequently their turnover is high and they account for a disproportionate amount of SP 'traffic'. In England in 2007/08, for example, over 80 per cent of the individuals reported as receiving housing support were within this 'socially excluded' group.

This may now change quite radically with the removal of ring-fencing of SP funding in both England and Scotland, which means that local authorities now have much greater discretion on how to spend the relevant funds (arrangements are different in Wales and Northern Ireland where SP funds are administered directly by the WAG and the NIHE, respectively, rather than by local authorities). Work in England suggests that some higher cost housing support services, including specialist provision for homeless people with politically 'unpopular' support needs such as substance misuse, may be vulnerable now that ring-fencing has been removed (Pleace, 2008). In Scotland, it has been suggested that 'low level' forms of housing support may be hardest hit, such as those designed to prevent homelessness (Scottish Council for Single Homeless, 2009).

There are concerns about overall SP funding levels in all parts of the UK: SP funding has been under continuous review and has experienced sustained reductions since its introduction in 2003. This is likely to worsen with the anticipated public sector spending squeeze from 2011 onwards, and to some extent the key question is whether spending cuts for services targeting different groups are proportionate.

## Conclusions

The analysis contained in this chapter suggests that the ideal homelessness system would combine the vigour of the English and Welsh preventative measures (alongside appropriate inspection and other safeguards against unlawful gatekeeping) with the strong statutory safety net available in Scotland (alongside robust assessment methods to counter concerns about any 'perverse incentives' that this may create).

Of course, the shortage of social rented housing makes the Scottish 'universal assistance' approach difficult to deliver in many parts of

the UK, most notably in London – in fact, it is arguable whether even the current homelessness entitlements are deliverable in the capital (Fitzpatrick, 2008). Even in Scotland, pressure on social housing stock means that there are serious challenges in delivering this model in practice. That said, the political momentum seems sufficient to ensure that, whatever the difficulties, the 2012 undertaking to abolish priority need will be met. There is, however, less certainty that the remaining HTF recommendations – including on intentionality and local connection – will be fully implemented.

In Scotland and Northern Ireland, it seems that prevention measures do need to be implemented more strenuously if ‘statutory demand’ is to be reduced. There is much that could be gained from examining English and Welsh approaches in this regard, and the Scottish concerns about gatekeeping should be assuaged by its robust inspection regime (though this inspection regime is under review and may change significantly in 2010). The Concordat may preclude Scottish Government from pushing through a much stronger prevention agenda in the aggressive and highly effective manner seen in England, but as in England, many Scottish local authorities may welcome a robust preventative approach in order to manage pressure on their social housing stock, without having to be forced down this route.

In all parts of the UK with shortages of social housing, it makes sense to make greater use of the private rented sector (with appropriate conditions with regards to accommodation quality and length of tenancy) to discharge homelessness duties, particularly to single and younger households. The current Scottish position (under review), whereby fixed-term tenancies cannot be used to discharge duty, even with the household’s consent, does not seem tenable, especially in the context of the widening of priority need.

That said, it cannot be assumed that the private rented sector is a panacea to homelessness pressures; it is not an endlessly elastic resource that can stretch to accommodate all groups that cannot be absorbed into social housing, and where it is used for statutorily homeless groups there are likely to be displacement effects that may impact on other groups in housing need. It is also clearly a less

secure form of accommodation than social housing and its use for vulnerable families with children in particular must be approached with great caution.



## 5 Improving housing quality

This chapter explores the impact the devolved governments have made in improving the services provided to social sector tenants by their landlords, and in improving the quality of the housing stock for low-income households in all tenures.

Both these improvements have taken pace in the context of a major restructuring of the social rented sector, with extensive programmes of stock transfers by local authorities in England, Scotland and Wales. The chapter therefore begins with a discussion of the nature and extent of these changes, and the changes that the devolved administrations have made to the regulatory frameworks for social sector housing.

### Ownership of social housing

Historically, social rented housing followed the ‘council house’ model across the whole of Great Britain, in which almost all social rented housing was owned and managed by local authorities that were in effect local monopolists. In Northern Ireland local authority housing was transferred to the NIHE in 1971 to counter discrimination in allocations.

The policy to extend the role of housing associations began in 1988, again across Great Britain. The decision to promote housing associations as the main provider of new social rented housing was taken in part because the government preferred to separate the strategic and ownership functions of local authorities, but also because, under the current definitions of the UK fiscal rules, housing associations could attract private finance without it scoring as public expenditure (as would be the case for local authorities).

As seen in Chapter 3 across the four jurisdictions, the absolute size of the social rented sector has fallen since 1998, with the stock losses as a result of RTB sales (and some demolitions) exceeding the gains through new construction.

Local authorities also began to take advantage of the access to private finance available to housing associations by transferring their stock into housing association ownership.

As a consequence of stock transfers, the provision of virtually all new social rented stock in the housing association sector, and the greater impact of the right to buy on the council sector, there has been a marked shift in the size of the council and housing association sectors over the last two decades, as seen in Figure 25.

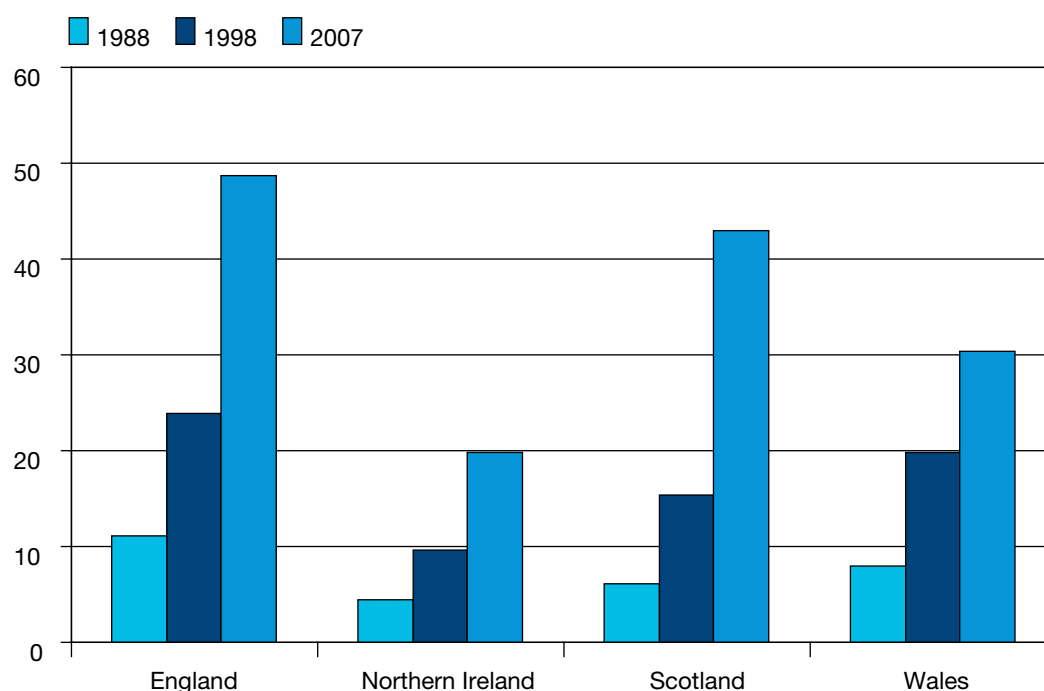
If this overall trend effectively predates devolution, large scale transfers by individual councils of their total housing stock to newly created housing associations were almost entirely confined to England in the pre-devolution period. Initiated by individual councils, the policy was rapidly adopted and promoted by central government.

Initially, the English transfers focused on rural and suburban councils with low levels of outstanding debt, and with clear financial incentives to take the transfer route. Rental income, required pre-transfer to be applied towards the costs of housing benefit, could instead be applied to service private sector borrowing to finance substantial programmes of major repairs and improvements. Moreover, there were typically significant net capital receipts for the council, applied in part (in some cases) to fund new affordable housing, but that more generally were beneficial for councils ‘general funds’.

By April 1999 there had already been over 70 large-scale council stock transfers in England, involving some 330,000 dwellings. The new landlords raised some £2.5 billion private finance – in addition to the funds required to acquire the stock from the councils. Councils received some £2 billion in receipts net of the residual debt on the transferred stock, of which almost £700 was available for investment (Wilcox, 2008a).

Before devolution, stock transfer in Scotland

Figure 25: Proportion of social sector stock owned by housing associations



Source: Wilcox (2009)

was mostly associated with the disposal of Scottish Homes (formerly Scottish Special Housing Association) stock, together with some selective transfers of individual council estates, typically requiring very significant levels of investment, to small community-based associations. There was, however, one whole council stock transfer in Scotland in the pre-devolution period, by Berwickshire Council, a small coastal/rural authority (Taylor, 2004). In contrast, there were no such transfers at all in Wales in the pre-devolution period.

Post-devolution, large-scale transfer was favoured and promoted by the (then) Scottish Executive, and with more circumspection (at first) by the WAG. This approach was underpinned by the agreement by HM Treasury that it would absorb the costs of any outstanding debt on the council stock transferred, leaving the devolved administrations with the need only to meet from its own budgets the costs of any 'dowry' that might be required to ensure that the new stock landlord had sufficient funds to undertake the required level of investment.

Dowries apart, the transfers left the budgets of the devolved administrations intact – and available to meet other priorities. At the local level the financial case for transfer primarily rested on

the access to funds for stock investment through the transfer route that would not realistically be made available if the stock remained in council ownership.

In this context, between 2003 and 2007, six local authorities in Scotland, of which by far the largest was Glasgow, transferred their stock (of some 117,000 dwellings) to housing associations, while five local authorities in Wales transferred their stock (of some 32,500 dwellings). Subsequently in 2009 two further Welsh authorities have undertaken stock transfers (of some 13,500 dwellings), and two more Welsh authorities have now obtained positive stock transfer ballots; this relates to stock of some 8,600 dwellings.

In Scotland the 2003 Glasgow stock transfer was of particular, and unique, significance, and not just because of its scale. Involving some 80,000 dwellings (almost one sixth of the total local authority stock in Scotland at the time), the transfer required HM Treasury to finance the £909 million outstanding council debt on the stock, and the Scottish Executive to provide £787 million in grant, against which the Glasgow Housing Association (GHA) raised £725 million in private finance, towards an envisaged £2.25 billion investment programme over the decade to 2014.

The GHA transfer was also unique in that it was

planned as a two-stage process; with the initial transfer to a single landlord as a stepping stone to further onward transfers to small community-based associations. This would, in effect, follow the earlier Scottish model of stock transfers, and fit with the strategy of creating a more 'contestable' social sector housing market (MacLennan and O'Sullivan, 2008).

Two of the Welsh transfers also followed a distinctive route, by adopting a Community Housing Mutual model in which the housing is owned by co-operative of which all tenants are members. One of the more recent Welsh transfers has also followed a very similar route, though on a 'bridge' model by which the housing will first be transferred to a conventional housing association.

More recently the emphasis on stock transfers in Scotland has receded. In part this is a response to the negative tenant ballot that halted the proposed stock transfer by Edinburgh City Council, and the GHA's slow and uncertain progress with respect to the envisaged series of onward transfers to small community-based associations in Glasgow.

However, it also reflects the introduction of the prudential borrowing regime for council housing in Scotland that has significantly eased the financial pressures for stock transfer both on local authorities and the Scottish Government. As outlined in Chapter 1, this contrasts with the much more limited role for prudential borrowing by local authorities in England and Wales.

In England there was also a trend towards larger urban stock transfers in the last decade, but in addition the government provided for an alternative model to stock transfers in order to attract funding to upgrade social housing stock. Local authorities that achieve high management ratings in inspections can establish Arms Length Management Organisations (ALMOs) under which the local authority retains ownership of the housing, but the housing is managed by a board, one third of whose members are tenants.

The first ALMO was established in 2002, and now around half of the remaining council stock is under the management of some 69 ALMOs. As a result of the qualifying criteria and selection process, the management standards of ALMOs compare favourably with both mainstream local

authorities and housing associations (Pawson, 2009b).

This model was intended as a response to political pressures to provide local authorities with an alternative to stock transfer, but it has now been constrained by its own success. The additional public borrowing permitted for stock improvements by ALMOs has had to be provided from within the overall budget available to CLG; leaving less and less available for other non-transferring authorities.

Neither the Scottish nor Welsh governments have favoured the ALMO model, as it does not provide them with any additional resources, while the HM Treasury support for stock transfers makes that option far more financially attractive, and particularly so in the case of Wales.

While the ALMO option was adopted by a substantial number of English authorities, nonetheless the stock transfer process continued apace, and between 1998 and 2007 a further 728,950 dwellings were transferred. However, these included a number of smaller-scale transfers of selected estates, as well as total stock transfers, and in a minority of cases the transfers had to be supported by dowries (involving some 11 per cent of the stock transferred over the period).

Following these transfers, and the continuing impact of RTB sales and new housing association development, by the end of 2007 almost a half of the total social sector stock in England was owned by housing associations (in their various forms), and over two fifths of the social sector stock in Scotland was owned by housing associations. While Wales lagged somewhat behind with just 30 per cent of its social sector stock in housing association ownership by 2007, the subsequent transfers and ballots will see that shortly rise to over 40 per cent.

In contrast there has been no significant stock transfers in Northern Ireland, where the public sector stock is concentrated in the hands of NIHE. While there are similar financial pressures on budgets in Northern Ireland, the lengthy suspension of the devolved government, and the unique position of NIHE, has to date stood in the way of any serious consideration to alternative ownership or governance arrangements for the NIHE stock.

Stock transfer is often a contentious issue and it has encountered some notable setbacks, including 'no' votes in ballots in Edinburgh and Birmingham. More generally the rejection rate had been rising, although it is notable that positive stock transfer ballots have been recently achieved in Wales, notwithstanding the concerns about private finance raised by the credit crunch. In all four countries further changes must be anticipated in the coming decades.

While there are debates about the respective merits of councils and housing associations in terms of both governance, and the quality of service provision, one of the undoubted impacts of stock transfer has been on the additional resources it has made available for investment in stock repair and improvement. This is considered further below in the section on housing quality.

## **Regulation of landlords providing affordable housing**

The regulation of landlords has been in flux in all jurisdictions. The newly devolved Scottish administration inherited Scottish Homes, a 'quango' on the Housing Corporation model with responsibility for registering, regulating and funding housing associations. Scottish Homes was initially replaced by Communities Scotland, an executive agency with an urban regeneration as well as housing remit, until it too was abolished in 2008. However, the Scottish Government felt the need to retain an arms-length regulator, and in 2008 the regulation and inspection division of Communities Scotland became the Scottish Housing Regulator (another executive agency).

In contrast in Wales, Tai Cymru was abolished (in 1998) and its functions transferred into the WAG. However, there have been concerns about the limited effectiveness of these in-house regulatory arrangements, and proposals for a radical restructure, and the establishment of a regulatory board along Scottish lines, were among the key recommendations of the 'Essex' review (Affordable Housing Task and Finish Group, 2008).

A parallel process has occurred in England, with the Housing Corporation being split in two; its registration and regulatory functions now lie with the Tenant Services Authority (TSA) which has its own board. While regulation in Scotland

and England has been separated from funding, the breadth of the regulatory authorities' functions is widening. The Scottish Housing Regulator also inspects the housing and homelessness services of local authorities, and the TSA's remit is due to be extended across all social landlords in 2010.

The role of the Housing and Communities Agency (HCA) (the other body set up after the demise of the Housing Corporation) includes the land assembly and regeneration role of the former English Partnerships. Its role is to be extended to include the registration of private landlords from the end of 2009, paralleling the introduction of their mandatory licensing in Scotland in 2006. In Scotland this is undertaken by local authorities, and this follows the practice in England, Wales and Scotland concerning Houses in Multiple Occupancy (HMOs). In Northern Ireland mandatory licensing applies to HMOs in five designated areas particularly close to universities.

While these represent changes in the institutional landscape in each country, they are several steps back from the more immediate concerns of this report about the impact of housing devolution on low-income households. They are concerned with issues around housing strategy, and the cost effectiveness of new investment, as well as the regulation of social landlords. If it is too early to judge the outcome of these changes in the institutional landscape, other than to note the inevitable short-term dislocation involved in such institutional reforms, the more direct issues around the standards of social sector landlords housing management performance are considered below.

## **Housing quality**

### **Measuring housing quality**

New housing quality standards have been introduced in each of the four jurisdictions: the Decent Homes Standard in England and Northern Ireland, the Scottish Housing Quality Standard, and the Welsh Housing Quality Standard. While the standards differ in detail, they commonly concern serious disrepair, modern facilities and insulation standards. The Welsh standard includes provisions relating to the neighbourhood as well as the individual dwelling, while the Scottish standard has more exacting energy efficiency

requirements. More recently the decent homes standard adopted in England has become more exacting, as the requirement for a property to meet minimum 'fitness' standards has been replaced by a requirement to meet more wide-ranging health and safety standards.

In England the target, adopted in 2000, was to make all social homes 'decent' by 2010, with most of this improvement occurring in deprived areas (Department of the Environment, Transport and the Regions (DETR), 2000). In 2002 a further target to increase the proportion of 'vulnerable' households living in private sector decent homes to 70 per cent by 2010 (and 75 per cent by 2020) was adopted. The cross-tenure Scottish Housing Quality Standard (SHQS) was adopted in 2004, with a target for all social housing to reach this standard by 2015. The Welsh standard is also focused only on social housing and the target for compliance is 2012. The Decent Homes standard in Northern Ireland was adopted in 2004, with a target for all social housing to meet it by 2010.

While the standards and targets may differ between the four countries, in each case they have focused their newly developed higher quality targets primarily on improving the social sector stock, with much weaker targets and/or standards set in respect of private sector stock. However, as noted in Chapter 2, almost a half of the low-income population in Scotland live in private sector housing, and rather more than a half across the rest of the UK.

### **Investment in stock improvements**

The achievement of these quality objectives has been linked to the future ownership models for social housing. In England councils were required to assess whether they could achieve the 2010 decent homes standard for their stock through the options of stock transfer, ALMOs, or the use of Private Finance Initiatives (PFIs), with conventional stock retention only being viewed by central government as an option if the target could be achieved on the basis of planned levels of public sector funding.

This approach was also followed by the Scottish and Welsh councils; but without the option of ALMOs. However, as noted above, in Scotland the 'prudential' borrowing regime has also provided councils with the potential access to

capital funding to improve stock that has not been transferred. NIHE attempts to upgrade stock are inhibited by both the absence of stock transfers and borrowing constraints.

Comprehensive aggregate data on investment on major repairs and improvements to the social sector stock are not readily available. There is very limited aggregate data on housing association investment in improving their existing stock (rather than on new build), and similarly in respect of stock transfers, where much of the initial private finance raised at the point of transfer is required to cover deficits in the early years of their operation, as well as for investment programmes.

There is aggregate data on local authority investment on their retained stock, albeit that in some cases this includes a small amount of expenditure on new build. That investment increased over the devolution decade, although as a result of stock transfers and right to buy sales it related to an ever-reducing stock.

Figure 26 shows the increase in investment for each country as an annual expenditure per dwelling. At the commencement of the decade expenditure per dwelling was highest in Scotland, and lowest in Wales. By the end of the decade it was highest in England, and marginally lower in Northern Ireland than in Wales, with investment in Scotland at an intermediate level.

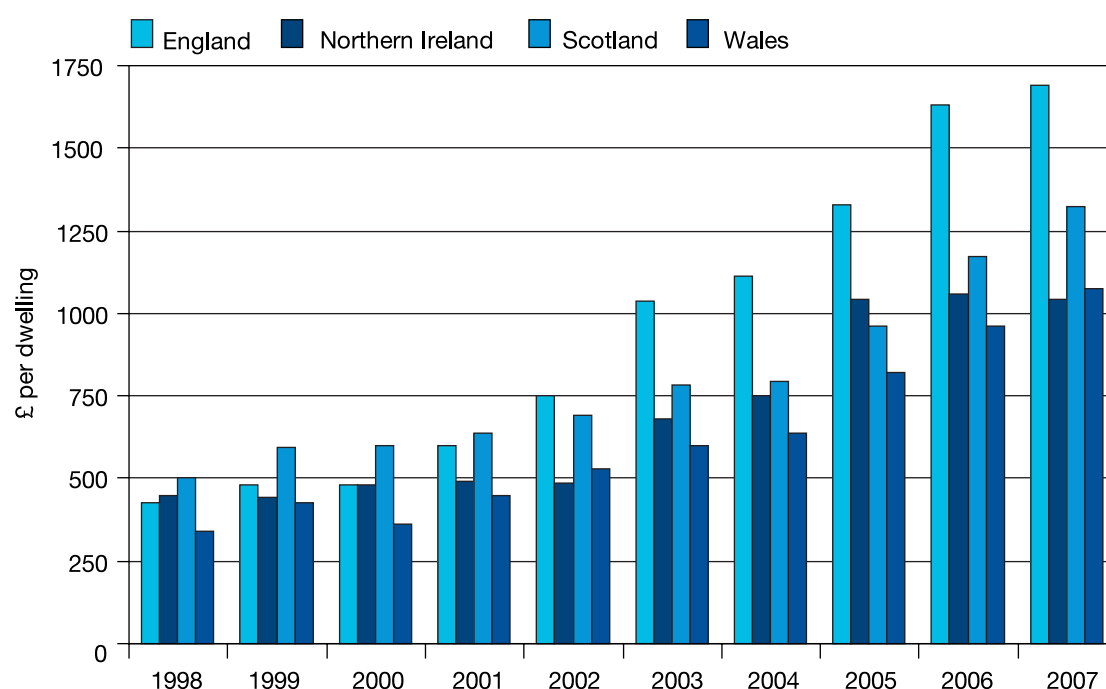
The increase in funding to improve the council stock within England was a conscious policy priority in the early years of the new Labour Government; it was only from 2003/04 that there was any significant increase in the budget for new social sector housing. These increased provisions for council borrowing were, in turn, reflected in the Barnett formula computations of the overall budgets for Scotland, Wales and Northern Ireland.

However, post-devolution neither the Scottish nor Welsh governments made any provision for increased borrowing for investment in council stock improvements. In Wales the council housing capital budget was effectively frozen in cash terms at pre-devolution levels. Similarly there was very little change in the provision for council house borrowing in Scotland, before the advent of the prudential borrowing regime.

In effect the Scottish and Welsh governments had other priorities within their devolved budgets, and clearly viewed stock transfer as a preferred



Figure 26: Investment in council housing



Source: Wilcox (2008a)

source of funding for stock improvements that would make fewer demands on those budgets.

Scottish councils were, however, permitted to make full use of their receipts from council house sales, and without the constraints of a redistributive revenue regime were also able to fund investments directly from their revenue streams.

In Northern Ireland investment levels in NIHE estate renovation did not increase post-devolution until 2002/03, following a sharp rise in the funding available from sales receipts in the preceding years.

There was little change in the levels of provision for private sector improvement grants post-devolution in England, Scotland or Northern Ireland. In real terms budgets fell. In Wales the budget was reduced sharply post-devolution; albeit from a much higher level in the pre-devolution years.

Figure 27 shows the expenditure on private sector improvement grants in the four countries in 1998 and 2007 as an amount per private sector dwelling (excluding grants for the installation of disabled facilities). While it would have been better to show this expenditure in terms of poor quality private sector dwellings, this is precluded by the use of different quality standards in the four countries.

It is notable that expenditure per dwelling on improvement grants is much lower in England; although the differences between the countries reduced over the devolution decade. Even so, by 2007 the average grant per private sector dwelling in England was at only half the level of Scotland and Wales; and only a quarter of the level in Northern Ireland.

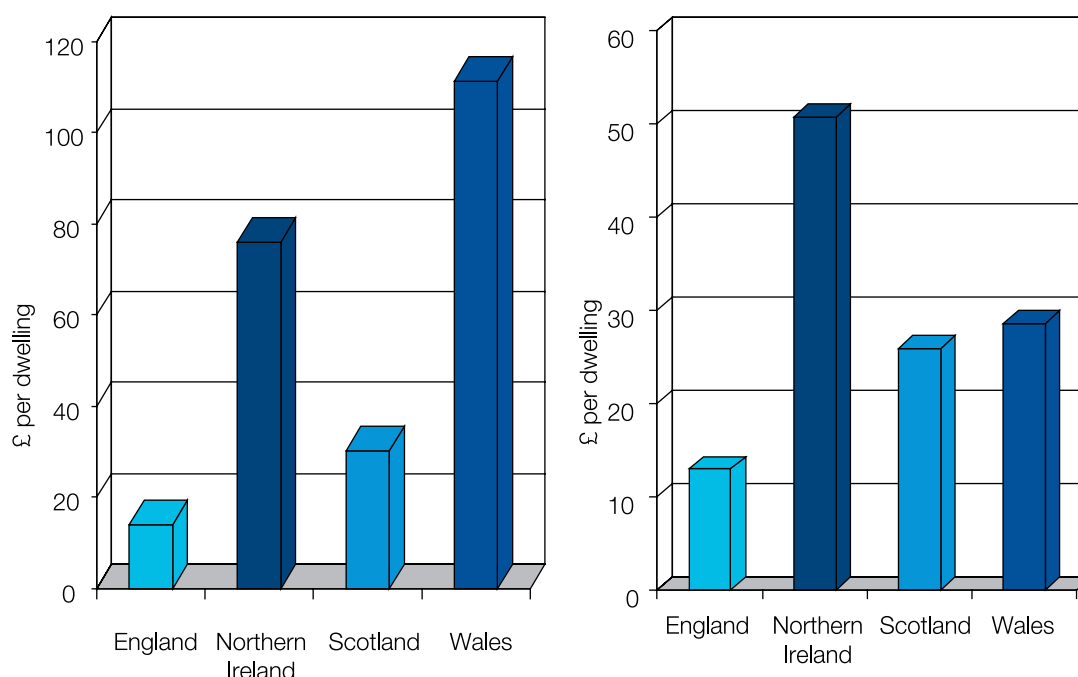
In 1998 the average grant per dwelling was highest in Wales; but by 2007 the Welsh grant expenditure per private sector dwelling was only a little higher. As a result of the much smaller reduction in funding, again from a relatively high pre-devolution level, by 2007 grant expenditure per private sector dwelling was far higher in Northern Ireland; at almost double the prevailing levels in Scotland and Wales.

Thus if both policy targets and investment provisions clearly prioritised improvements to the social sector stock relative to provision for private sector improvements in all four countries over the last decade, it was in England where that difference in priorities was most pronounced.

### Impacts on measured housing quality

Measuring the outcome of these policies and investment levels in each country is complicated not just by the different stock condition standards

Figure 27: Improvement grants in 1998 and 2007 per private sector dwelling



Source: UK Housing Review tables)

in each country, but also because of the differences in the timing of the stock condition surveys undertaken separately by each country. Within these constraints the development of housing quality measures and changes in stock condition are outlined in turn below for each country.

There has been a very significant fall in the proportion of social rented houses that do not meet the Decent Homes standard in England. In 2001, there were 1.64 million non-decent homes in the English social rented sector, and by 2006 this had been reduced to 1.13 million. Taking into account the fall in the total stock of social housing over the period, these figures imply a fall in the proportion of non-decent homes in the English social rented sector from 39 to 29 per cent (Communities and Local Government, 2008).

The proportion of vulnerable households living in non-decent private sector homes fell from 43 per cent in 2001 to 32 per cent in 2006. While the definition of 'vulnerable' households in this context is related to low incomes, in that it includes all households in receipt of means tested benefits, it does not include the substantial numbers of low-income pensioners in the private sector that are entitled to, but do not claim, pension credit or council tax benefit (Cuthbertson *et al.*, 2009).

Within the private sector overall, the proportion of dwellings failing to meet the decent homes standard fell from 51 to 41 per cent in the private rented sector, and from 29 to 24 per cent in the owner occupied sector. All these measures are based on the decent homes definition requiring housing to be fit, rather than the new standard that requires them to meet specified health and safety standards.

On the new definition of decent homes, 29 per cent of the social sector dwellings were still non-decent in 2006 and 2007, while the proportion of 'vulnerable' households in the private sector fell from 41 to 39 per cent (Communities and Local Government, 2009).

The proportion of all dwellings failing the Northern Ireland Decent Homes standard fell from 32 per cent in 2001 to 23 per cent in 2006 (Fry *et al.*, 2007). The failure rate for NIHE dwellings halved from 50 to 25 per cent, while the failure rate for the housing association stock increased a little from 7 to 9 per cent.

There was also a sharp decline in the failure rate for dwellings in the private rented sector in Northern Ireland, from 47 to 27 per cent, while the failure rate for owner occupied dwellings fell from 23 to 20 per cent. In all cases these comparable measures show far fewer non-decent homes in



Northern Ireland than in England, and a more pronounced rate of progress over the devolution decade.

The Scottish and Welsh Quality Standards are not comparable to the English and Northern Irish Decent Homes standards, and these are reflected in the much higher proportion of dwellings that fall below the adopted standards. In Scotland the primary reason for the far higher failure rate is the more exacting energy efficiency standards.

In 2002 only 23 per cent of Scottish social sector housing met the SHQS, and this rose only slowly to about 29 per cent in 2007. Over the same period the proportion of private sector dwellings meeting the SHQS rose from 23 to 33 per cent.

The proportions among housing association housing rose from 34 to 38 per cent, which represents a higher standard than both the owner-occupied sector (27 and 35 per cent) and the private rented sector (18 and 20 per cent) (Cairns *et al.*, 2009).

Of course these figures do not fully capture the extent of improvements in the quality of the stock; housing that has been improved on many indicators can nonetheless still fail to meet the standard, and landlords often approach improvement on an element by element basis.

Moreover, these survey-based figures differ from those based on returns from social landlords, which show that half of housing association properties meet the standard. The monitoring report suggests that 5 per cent of the total stock of social housing was brought up to the SHQS in 2007.

Within the private sector in 2007 there was also a higher level of 'extensive disrepair' in the private rented sector (37 per cent), than in the owner-occupied sector (27 per cent). This compares with 31 per cent in the local authority sector and 28 per cent in the housing association sector.

Very high rates of failure to meet the Welsh Housing Quality Standard (WHQS) are recorded by the Living in Wales survey, which found that in 2004, 86.5 per cent of social homes failed to meet the standard (with almost all of the balance being accounted for by dwellings that were not surveyed) (Statistics for Wales, 2008a). It should be noted that to meet the standard, a dwelling had to pass all 19 'primary' elements and 18 (out of 23) 'secondary' elements.

More than 90 per cent of the social sector stock met most of the 'primary element' requirements, with high failure rates only for a limited number of elements, such as the thermal performance of external walls, the security offered by doors and windows, the requirement for a shower as well as a bath, the effectiveness of the heating system, and the requirement for a minimum of 200 mm of loft insulation.

As the WHQS has only been set as a standard for the social rented sector, the analysis did not cover private sector stock. Data on the WHQS is also only available for 2004; so there is not yet any measure of progress towards achieving that standard over time. One measure of progress in stock condition standards in Wales over time is offered by the declining incidence of 'unfit' dwellings, from 8.5 per cent of the stock in 1998, to 4.8 per cent in 2004 (Statistics for Wales, 2008b).

### **Housing quality and low-income households**

As seen above, only in Scotland do over a half of all the low-income households reside in the social rented sector, and the English data on vulnerable households in the private rented sector does not fully capture the numbers of low-income households, as they exclude those not claiming means tested benefits. The national surveys do, however, contain data on the relationship between low incomes and housing quality in all tenures in each country. As with the more general data there are, however, constraints around the compatibility of data between the four countries and over time.

Between 1996 and 2006, the proportion of unfit dwellings in the English housing stock fell from 6 per cent to just 3 per cent; with the higher proportion occupied by low-income households falling from 11 to 6 per cent over the same period. Of these almost three quarters were in the private sector (in 2006), with slightly more numerically in the owner-occupied sector. Proportionately, however, just over one in eight low-income households in the private rented sector were living in unfit dwellings.

Higher proportions of low-income households also lived in dwellings that failed the decent homes standard in all tenures, including the social rented sector. Just over 3 in 10 low-income households in the social rented sector were still living in non-

decent homes in 2004/05 (mid point of 3-year averages), while more than a third of all low-income home owners and nearly a half of all low-income tenants in the private rented sector were also living in non-decent homes (see Figure 28).

It is also notable that while the proportion of low-income households in non-decent homes in the private rented sector is very similar to the proportions of 'vulnerable' households (50 per cent in 2004 and 48 per cent in 2005), the proportion of low-income households in non-decent homes in the owner-occupied sector is considerably higher than the proportion of vulnerable households (30 per cent in both 2004 and 2005) (Communities and Local Government, 2007). This confirms one of the weaknesses of the definition of vulnerable households, in that it does not include low-income households that are eligible for, but do not claim, means-tested benefits. This is particularly pertinent in the owner-occupied sector, with high proportions of eligible households failing to claim either council tax benefit or pensioner credit.

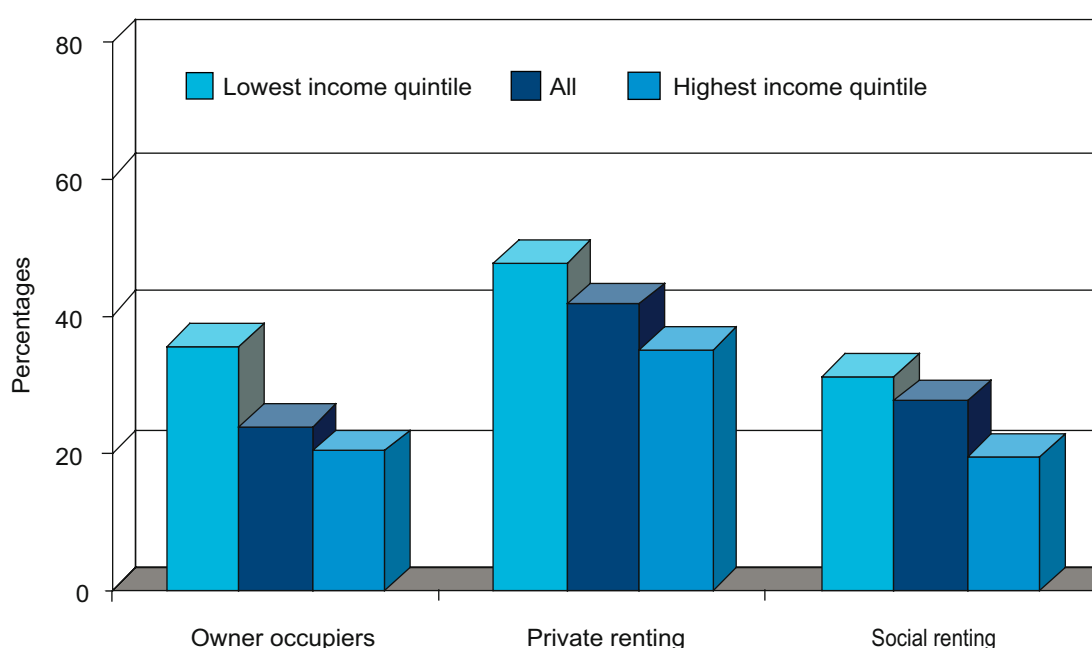
Data for Wales in 2004 also shows a higher proportion of low-income households living in unfit dwellings. While overall just 4.8 per cent of households were living in unfit dwellings, the unfitness rate for low-income households was thus

9.3 per cent. (In this case low-income households are those in the lowest income bands used by the survey, which comprise some 23 per cent of all households.)

It may also be noted that the low-income households living in unfit dwellings in Wales were also predominantly in the private sector, with some three fifths being owner occupiers, just over a quarter private renters and some 1 in 7 residing in the social rented sector (Figure 29). In proportional terms, however, the incidence of low-income households living in non-decent homes was highest within the private rented sector, where almost 1 in 5 low-income households were living in an unfit dwelling, compared to 10 per cent of all low-income home owners, and just 2 per cent of low-income tenants in the social rented sector.

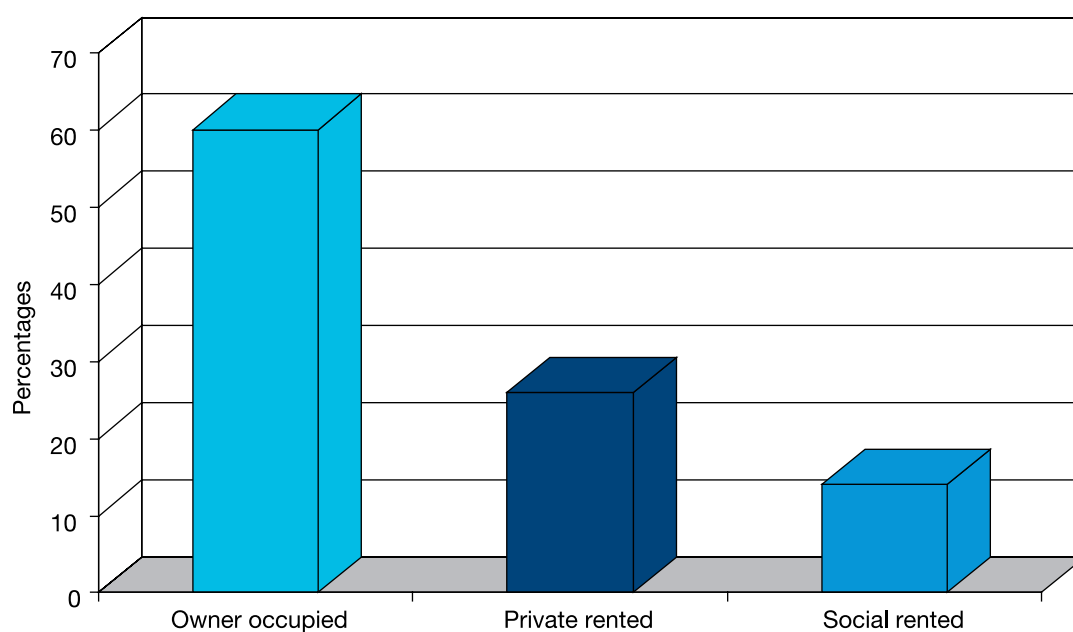
The incidence of low-income households living in dwellings that fail to meet the decent homes standard in Northern Ireland is shown in Figure 30. In this case low incomes are the lowest income bands, with incomes up to £9,999 a year; which comprise some 30 per cent of all households. This again confirms that low-income households are more likely to live in non-decent homes than households with higher incomes, even (albeit to a lesser degree) within the social rented sector.

Figure 28: Non-decent homes in England by tenure and income quintile



Source: Analysis of 2003/04 to 2005/06 EHCS combined datasets

Figure 29: Unfitness and low-income households in Wales, 2004



Based on approximate lowest quintile (23 per cent) from banded incomes

Figure 30 also shows that for low-income households, as well as for all households, the incidence of non-decent homes in Northern Ireland is lower than the data shown for England in Figure 28. However, some caution is required in comparing the two figures due to the different definitions of low incomes available from the two countries' house condition surveys.

While the proportionate incidence of low-income households living in non-decent homes is highest within the private rented sector, as a consequence of its small size these households only represent one fifth of all low-income households living in non-decent homes in Northern Ireland; compared to 28 per cent in the social rented sector and 52 per cent in the owner-occupied sector.

A further indicator of the association between low incomes and poor house conditions in Northern Ireland is provided by an analysis of the presence, or rather the absence, of double glazing. Nearly a half of all low-income private tenants do not have the benefit of full double glazing, compared to two fifths of low-income home owners and a third of all social sector tenants. Again taking account of the different sizes of the tenures, a half of all households without the benefit of full double glazing are owner occupiers, while a

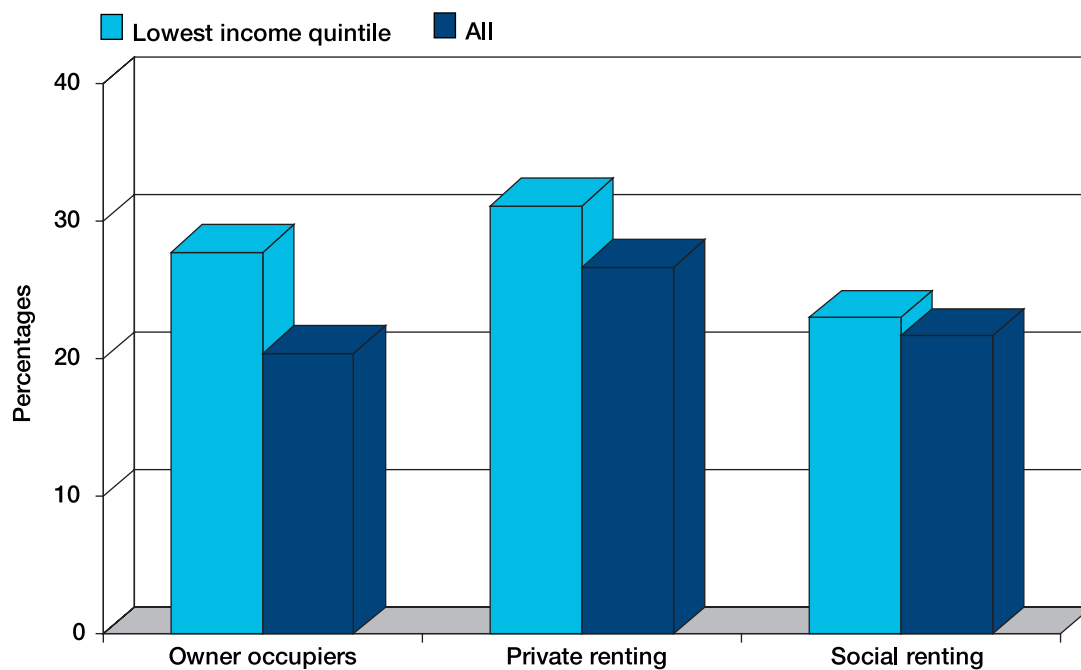
fifth are private tenants and 28 per cent are social sector tenants.

One notable feature, however, is that very few social sector tenants live in dwellings with partial double glazing compared to those in the owner-occupied and private rented sectors. In consequence the proportion of households with no double glazing is also highest within the social rented sector; they account for just over two fifths of all low-income households without the benefit of any double glazing, with just less than two fifths owner occupiers, and a fifth in the private rented sector.

A similar pattern can be seen in Scotland, with low-income households in all tenures more likely to live in dwellings that fail the SHQS. Figure 31 compares the position of households with incomes below £200 per week, that comprise 25 per cent of all households, with those with incomes of £200–500 per week (47 per cent of all households) and those with incomes over £500 per week (28 per cent of all households). The average failure rate for the years 2004/07 on which the analysis is based was 72 per cent for all households.

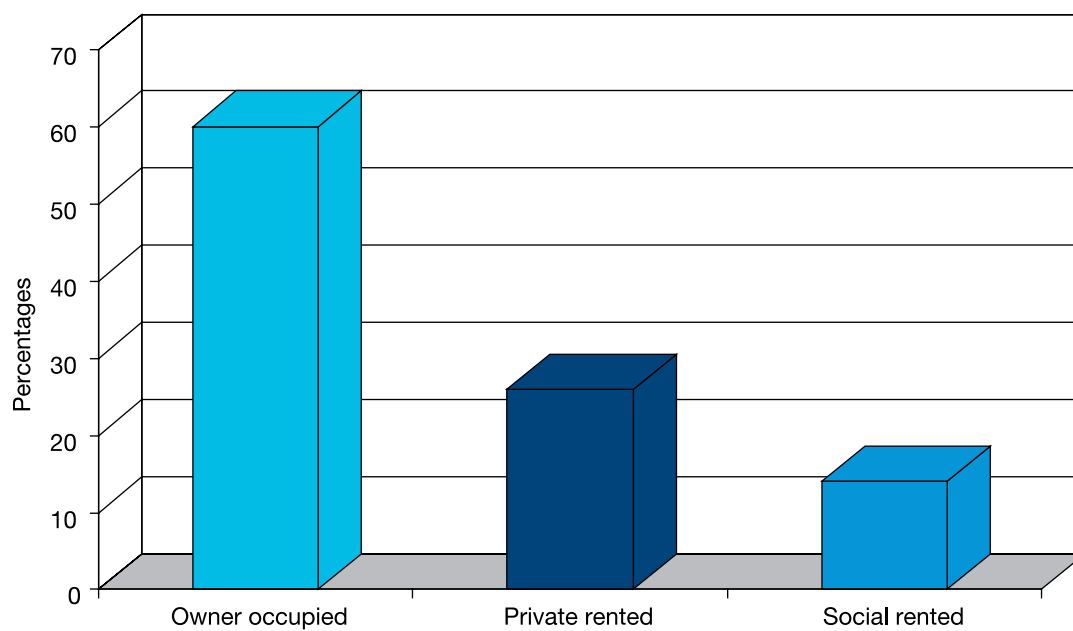
The failure rate is highest in the private rented sector, with even private tenants in the high-income band being more likely to occupy a dwelling that fails the SHQS than low-income

Figure 30: Non-decent homes in Northern Ireland by tenure and low income



Source: 2006 Northern Ireland House Condition Survey

Figure 31: Dwellings failing the SHQS by tenure and income band



Source: Analysis of 2004/07 SHCS combined datasets

tenants in the social rented sector. The failure rate in the owner-occupied sector is also higher than in the social rented sector, with only owners in the high-income band being less likely to occupy a dwelling that fails the SHQS than low-income tenants in the social rented sector.

While the figure shows the highest income social sector tenants being more likely to occupy dwellings that fail the SHQS than tenants on low and moderate incomes, it should be borne in mind that this is a very small group, comprising just 5 per cent of all social tenants. Social tenants with incomes below £200 per week are still slightly more likely to occupy a dwelling that fails the SHQS than social tenants with incomes above that level (72 per cent compared to 69.5 per cent).

As a consequence of the different size of the tenures, two thirds of all the low-income households living in dwellings that fail the SHQS are owner-occupiers, while 8 per cent are private tenants and 26 per cent are social sector tenants.

The improvements in stock condition over the devolution decade, especially in respect of social sector housing, is at one level a measure of the success of the policies the four governments have pursued in that regard, and the resources they have made available to that end. While there are differences between the four countries in the funding provided, and in the impact on improving the social sector stock, they have all given a higher priority to improving the social sector stock than to dealing with poor conditions in the private housing stock, which is occupied by the majority of low-income households.

The more nearly the policy objectives for improvements in the social sector stock are achieved, the more the question arises as to the continuing appropriateness of current policies and priorities, given the increasing concentration in the private sector of low-income households in the poorest condition housing.

### **Housing quality and energy efficiency**

One of the few direct comparisons on the stock condition of the devolved countries that can be made is in respect of energy efficiency ratings. 'SAP' ratings (out of a maximum of 100) are available for England, Northern Ireland, Scotland and Wales, although the Welsh data is only available for 2004.

These results put the different national quality measures into perspective. While very high proportions of social sector dwellings in Scotland and Wales fail the nationally adopted quality standards, compared to the proportion of social sector dwellings failing the decent homes standard in Northern Ireland and England, the SAP ratings provide a different picture.

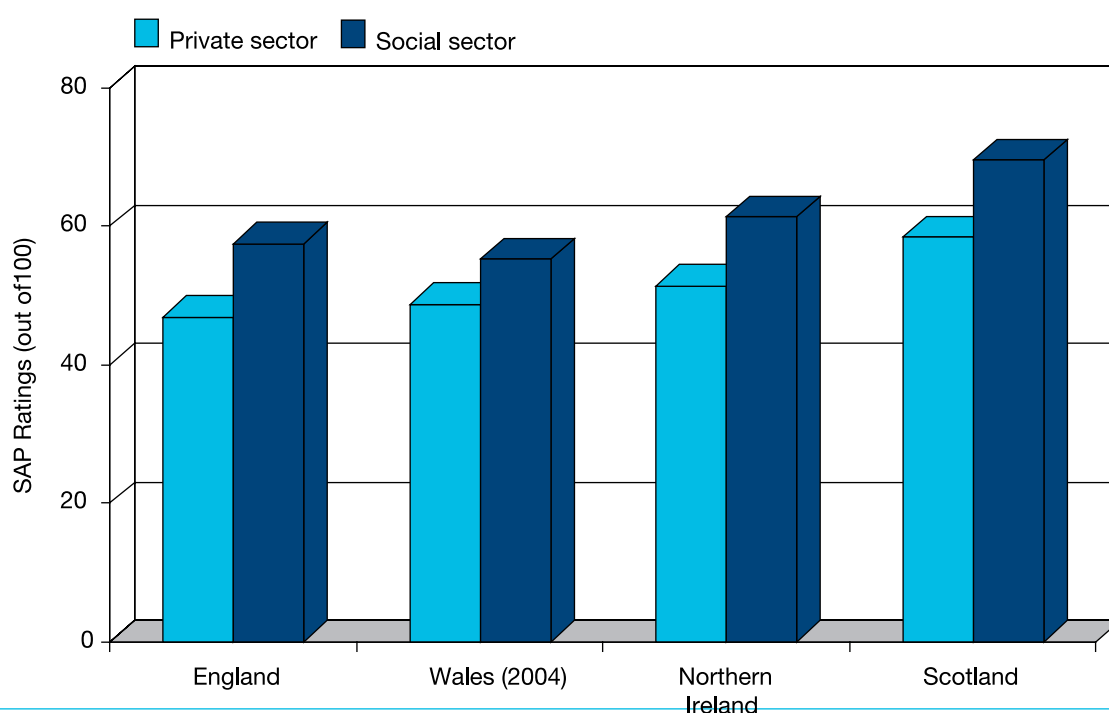
On that energy efficiency measure, dwellings in the social sector in Scotland have the highest rating, followed by social sector dwellings in Northern Ireland, while the average rating for Wales is only marginally below that for England. The average rating for private sector dwellings is lower than that for social sector dwellings in each country, but nonetheless the average rating for private sector dwellings in Scotland is still higher than the rating for social sector dwellings in England and Wales (see Figure 32).

The relative SAP ratings for each country are not, however, solely a reflection of policies and investment to improve stock condition and energy efficiency in each country. In part they also reflect the association between higher SAP ratings and flatted dwellings, as opposed to houses. In Northern Ireland, for example, the average SAP rating for a flat was 63 in 2006, compared to just 49 for a detached house (Fry *et al.*, 2007).

Post-devolution all four countries have made considerable efforts to improve the energy efficiency of social sector dwellings, through both broader improvement programmes and more specific energy efficiency programmes. In contrast there have been limited, and predominantly means tested, programmes aimed at improving energy efficiency in private sector dwellings.

These means tested programmes are also hampered by the low take-up of pensioner credit and council tax benefit, as those benefits are used as qualifying criteria for the means tested energy efficiency grants available in each country (Burrows and Wilcox, 2000). With mounting concerns about the need to reduce carbon dioxide emissions in the future, all four countries will need to give greater attention to the issues involved in delivering improvements to the energy efficiency ratings of the existing private sector stock (Wilcox, 2008a).

Figure 32: Energy efficiency ratings, 2006



Data for Wales is for 2004. For all other countries it is for 2006

## Social housing management performance

The policies adopted by the devolved governments to finance, restructure and regulate social sector landlords all have the potential to impact on the quality of their housing management services. Indeed all four governments have arrangements in place to monitor the performance standards of social sector landlords against key indicators, such as rent arrears, void rates, re-let times, and the timely completion of repairs.

The measures used, and the data available, do not however make possible a comprehensive and fully comparable measure of performance over the last decade for all four countries. The focus here is on the data available for two measures that directly reflect the quality of the service to tenants: repairs, and the time taken to let vacant dwellings.

Data on the average time taken to re-let vacant dwellings is available for both local authorities and housing associations in England, Scotland and Wales; the most recent figures are shown in Table 5.

Table 5: Average number of days taken to let vacant dwellings in 2007/08

Country	Local authority	Housing association
England	31	40
Scotland	51	22
Wales	N/A	31

Source: Pawson (2009b), Housing Corporation (2008), The Scottish Housing Regulator (2009), Welsh Data Unit (2009)

Some caution is needed in comparing these figures from different data sources. Average re-let times also reflect the varying levels of demand for dwellings of different types in different localities. For Scottish local authorities figures are also available distinguishing between the average re-let times for 'low-demand' and 'not-low-demand' stock. Figures for 2006/07 showed an average re-let time for low-demand dwellings of 80 days, compared to just 44 days for not-low-demand dwellings.



However, even the ‘not-low-demand’ re-let times for Scottish local authorities are far higher than the average for local authorities in England, and housing associations in Scotland and Wales. They are also a little higher than the average figures for housing associations in England. Nonetheless the available time series data does show local authority performance on this indicator improving in both England and Scotland in the years since 2000/01. Performance by housing associations in Wales has, however, deteriorated since 2001/01 when the average re-let time was just 25 days. However, it should be noted that the 2007/08 figure reflects the very lengthy average re-let period (123 days) for one large stock transfer landlord.

Similar caution is needed in respect of figures on the extent to which landlords deal with repairs within targeted timescales. In part this is because the target times for dealing with emergency, urgent and non-urgent repairs vary from landlord to landlord, and also because different categories of repairs are measured in the different datasets.

Overall, a very high proportion of repairs are dealt with within the (self-defined) target times, but with local authorities in Scotland and Wales lagging rather behind English local authorities, NIHE and housing associations in Scotland and Wales (Table 6).

**Table 6: Percentage of response repairs completed within target times in 2007/08\***

Country	Local authority	Housing association
England	97%	N/A
Scotland	91%	96%
Wales	83%	94%
Northern Ireland	98%	N/A

**Source: Pawson (2009b), Scottish Housing Regulator (2009), Statistics for Wales (2009), Northern Ireland Housing Executive (2008)**

Again the available time series data shows that performance by local authorities in England, Scotland and Wales all improved since the beginning of the decade. It is difficult to attribute these performances to any specific changes in the post-devolution regulatory or related arrangements in any country. While there is a suggestion that the option for high performing ALMOs in England

to secure additional investment resources might have acted as a particular incentive to improve performance, the evidence shows that over the five years to 2007/08 they improved their performance only a little more than other councils (Pawson, 2009).

More generally arrangements for monitoring housing management performance are well embedded in all four countries, and this would appear to be more significant than the specific differences in the way these arrangements are managed, and have been developed post-devolution in each of the four countries.

## Conclusions

The proportion of social housing owned by housing associations rose in all four countries over the decade; both as a result of housing association new build and stock transfers. Nearly a half of the social housing stock in England, just over two fifths in Scotland, and some 30 per cent in Wales was owned by associations by 2007. The proportion was just a fifth in Northern Ireland, reflecting the unique position of NIHE.

Stock transfers accessed additional funds for stock improvements, as well as changing the structure of the social sector housing market. Twenty-four per cent of the English council stock was transferred in the decade; 19 per cent in Scotland and 14 per cent in Wales. In Scotland the Glasgow transfer was of particular significance, although its failure, to date, to complete the anticipated second round transfers to small community-based associations means it has not yet led to the market restructuring that was one of its objectives.

Neither Scotland, Wales or Northern Ireland have followed England in adopted the ALMO model for council housing; primarily as it did not offer the financial advantages of stock transfer. While Scotland more forcefully promoted stock transfers following devolution, that stance has since softened, partly as a result of the Edinburgh no vote and the delays with the second stage transfers in Glasgow, and partly in response to the advent of the prudential borrowing regime which has increased the financial freedoms of councils in Scotland to a much greater degree than in England and Wales.



While Wales did not initially promote stock transfers as strongly as Scotland, it has maintained the pressures through limiting the budgets for council housing, and from a slow start there is now a momentum behind a wave of transfers. Three of the Welsh transfers have also followed a distinctive route by adopting a Community Housing Mutual model, or similar, rather than a conventional housing association.

The regulatory frameworks for local authorities for housing associations have been radically recast in England, Scotland and Wales (where further reforms are planned). However, these changes are relatively recent and it is too early to judge their impact.

All four countries introduced new housing quality standards over the decade. While Northern Ireland adopted the 'decent homes' standard along with England, Scotland and Wales introduced their own quality standards, and in both cases these are (in different ways) rather higher than the decent homes standard. While England set targets for both social and private sector housing related to the decent homes standard, in Scotland and Wales their respective quality standards have only been used to set targets for social sector housing.

The different quality measures, and the timing of house condition surveys, make it difficult to make any robust measure of comparative improvements over the decade.

Investment in improving the council sector housing stock increased most rapidly in England over the decade and (measured per dwelling) was far higher at the end of the decade than the equivalent spend in Northern Ireland and Wales, with Scotland in an intermediate position. Substantial levels of additional funding for stock improvements were also raised through stock transfers.

Investment in improving private sector housing was a much lower priority in all four countries. Grants expenditure (per private sector dwelling) was by far the lowest in England; with expenditure in Scotland and Wales at double the English level, and with four times the level of expenditure in Northern Ireland.

The proportion of dwellings failing the decent homes standard fell in both England and (more

rapidly) in Northern Ireland; as did the proportion of dwellings failing the Scottish Housing Quality standard. Time series data on the Welsh Housing Quality standard is not yet available. Despite the limited government support, stock condition in the private sector improved more rapidly than in the social sector in both England and Scotland over the decade.

Only in Scotland do the majority of low-income households live in social rented dwellings. In all four countries low-income households are more likely to live in dwellings falling below the national quality standard; this applies to both private and social sector housing. Moreover overall private housing is more likely to fail these standards than social sector housing, and consequently the majority of low-income households living in below standard accommodation are located in private housing.

In that context, and with the improvements in social sector standards achieved over the last decade, the question arises as to the continuing appropriateness of the policies and priorities that focus far more on improving the social sector than private sector dwellings.

In all four countries average energy efficiency ratings for social sector dwellings are higher than for private sector dwellings. Scotland has the highest ratings; and the average rating for private dwellings in Scotland is higher than for social sector dwellings in England and Wales.

Policies to improve the energy efficiency of dwellings have also prioritised support to improve social sector dwellings in all four countries, with predominantly limited and means tested help available to assist with improvements in the private sector. The effectiveness of these schemes is also constrained by the links with pension credit and council tax benefit, which both have low take-up rates by low-income households living in private housing. With mounting concerns about carbon dioxide emissions in the future, all four countries will need to consider measures that effectively deliver energy efficiency improvements in the private sector.

Housing management standards for social sector housing have improved in all four countries over the last decade, although they still lag somewhat among Scottish and Welsh local

authorities. It is difficult, however, to link the improvements to the specific arrangements to monitor standards and regulate social landlords in each country, although in England there is a suggestion that the financial rewards available to high performing councils with ALMOs did result in greater improvements in management performance than those made by other councils.

# Some final observations

One of the critical measures of the success of the 1999 devolution settlement is the satisfaction each country derives from the greater control it gives them over public policies, and the ability to develop them to reflect their own context and culture. That satisfaction was palpable in all our discussions with members of the ‘policy communities’ in each country.

But not all devolutions are equal. Scotland has had a full decade with fully devolved legislative powers, while Wales has had to operate (more or less) within the constraints of secondary legislation and a less generous budget settlement, and Northern Ireland’s devolution has so far been a very on–off affair.

In ten years all four countries have made a significant start in charting out their own distinctive policy courses; but it is still relatively early days to measure the outcomes of their housing policies for low-income households. The influences of government policies on housing markets and neighbourhoods are mostly gradual, and it is far easier to chart aspirations than outcomes.

Indeed some of the most significant differences in housing policy outcomes have their roots in pre-devolution differences. Council housing finances in Scotland are much freer because it was never subject to the redistributive regime introduced in England and Wales in 1989; and post-devolution that advantage has been magnified with the advent of prudential borrowing. Conversely, Scotland’s ability to rein in the excesses of the RTB was hampered by the absence of inherited powers to put a cap on maximum discounts for existing tenants.

But devolution does not, in itself, mean that devolved policies will deliver better housing for low-income households. The devolved administrations have made different choices about the priority afforded to housing within their devolved budgets. Within a more constrained budget, Wales also

gave a lower priority to housing than the other three countries of the UK.

With its full decade with wider powers, Scotland has been able to make more of a difference in developing a distinctive policy agenda, infused with a wider vision for the public realm. Its distinctive policies on extending the rights of homeless households, and in introducing the ‘modernised’ RTB for new tenants, are two key examples.

If Wales has achieved rather less, this should be seen in the context of the greater budget constraints, and the limitations of their powers. In simple terms of equity, there is case for widening the primary legislative powers of the Welsh Assembly, replacing the limited and convoluted arrangements of the Wales Act 2006, and reviewing their devolution financial settlement.

It is far too early to assess the position in Northern Ireland given the long interruption in the operation of the devolution settlement. Critical to its future outcomes will be decisions about the future of the NIHE.

But underlying the differences in approach, there are also some common themes with respect to the ways in which policies in the post-devolution period have impacted on the housing circumstances and opportunities of low-income households. The availability of social sector lettings has declined in all four countries, as investment in new housing has lagged behind stock losses through RTB sales.

While Scotland and Wales have adopted distinctive (and higher) housing quality standards than those in England and Northern Ireland, the quality of the social sector stock has improved over the decade, as a result of both new stock additions, and investment in the existing stock funded both by the governments, and, in England, Scotland and Wales, by stock transfers.

However less attention, and less funding, has been provided for improvements to poor condition dwellings in the private sector, and in all four countries the majority of low-income households living in poor condition dwellings now reside in the private sector. Particularly in the light of growing concerns about energy efficiency issues, all four countries will need to focus more on delivering improvements for those households.

While we have examined a wide range of housing policy issues and their impact for this study, there are inevitably areas where specific issues would benefit from more detailed examination. We have been fortunate to be able to draw on detailed comparative study on many aspects of homelessness policy in the four countries; but this has also served to highlight the contrast with the absence of equivalent detailed comparative evidence on housing stock condition and housing management performance. We can only offer the comparisons in this report as a first step towards the fuller studies these topics deserve.

Devolution will evolve and mature, and the impact of distinctive policies will emerge more fully over time. It will also face new challenges in the post-credit crunch era, in particular in responding to the growing concerns around environmental issues, and the housing, social and health requirements of an aging population. But perhaps the most significant measure of the success of devolution is that it can only go forward; no one now wants to go back.

# Notes

- 1 Now called the Housing Delivery and Homelessness Directorate.
- 2 The NIHE is the responsible body with respect to the Province.
- 3 Certain 'persons from abroad', including asylum seekers, are ineligible.
- 4 That said, the proportion of applicant households which were accepted as owed the main duty was not actually that much higher in Scotland in 2007/08 (at 57 per cent of all applicants, and 80 per cent of those assessed as homeless) than in the other UK countries (48–49 per cent of all applicants, and 67–70 per cent of those assessed as homeless).
- 5 Comparable data on the 'stock' of households in temporary accommodation is not available for Northern Ireland, but the annual number of placements in temporary accommodation has recently declined (source: NIHE).
- 6 This includes both 'assured' private sector tenancies with security of tenure and 'assured shorthold' fixed-term private sector tenancies.
- 7 That said, there is increasing use of the private rented sector as a preventative mechanism, especially in England (see below).
- 8 A measure of the percentage of tenancies sustained for more than 12 months is being added to the Audit Scotland dataset as from 2008/09.
- 9 Unpublished analysis by Scottish Government.
- 10 It will noted that the patterns identified here are broadly in keeping with the differential rates of homelessness applications and acceptances noted in Table 2 – with England and Wales significantly lower than Scotland and, in particular, Northern Ireland.
- 11 <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/access/homeless/achievements/guidance/Q/EditMode/on/ForceUpdate/on>
- 12 All four countries record reasons for homelessness in different ways, and therefore we have had to adopt some very broad categories in this table to aid some sort of comparison. The 'other' reasons include, for example, leaving institutional accommodation, racial harassment, and external violence, all of which are recorded in some countries but not in others, as well as a large 'other' category in all instances. It must also be borne in mind that the Scotland and Northern Ireland figures are for all applicants, whereas the figures for England and Wales are only for those owed the main duty.
- 13 Note that this figure does not include anti-social behaviour evictions (which would probably add up to 10 per cent to the total).
- 14 Source: Regulated Survey Returns Tenant Services Authority.
- 15 Source: Social Landlords' Possessions and Evictions 2007/8, Statistics for Wales October 2008.
- 16 Source: Housing Statistics for Scotland Bulletin, November 2008.
- 17 Source: Shelter (2008) *Evictions by Social Landlords in Scotland*. Available from [www.shelter.org.uk](http://www.shelter.org.uk)

## Related reports

Adamson, D. (2009) *The Impact of Devolution: Area-Based Regeneration Policies in the UK.*

Bell, D. (2009) *The Impact of Devolution: Long-Term Care Provision in the UK.*

Bivand, P. et al. (2009) *The Impact of Devolution: Employment and Employability.*

Palmer, G. (2009) *The Impact of Devolution: Indicators of Poverty and Social Exclusion.*

# References

- Affordable Housing Task and Finish Group (2008) *Report to the Deputy Minister for Housing*, Cardiff: Welsh Assembly Government
- Anderson, I. (2009) 'Homelessness policy in Scotland: a complete state safety net by 2012?', in S. Fitzpatrick, D. Quilgars and N. Pleace (eds) *Homelessness in the UK: Problems and Solutions*, Coventry: Chartered Institute of Housing
- Barker, K. (2004) *Review of Housing Policy*, London: HM Treasury
- Bramley, G., Morgan, J., Karley, N., Lederie, N., Sosenko, P., Stephens, M., Wallace, A. and Littlewood, M. (2009) *Evaluation of the National Mortgage to Rent Scheme*, Edinburgh: Scottish Government (<http://www.scotland.gov.uk/Resource/Doc/254517/0075356.pdf>)
- Burrows, R. and Wilcox, S. (2000) *Half the Poor: Home-Owners with Low Incomes*, London: Council of Mortgage Lenders
- Cairns, P., Cormack, D., MacDonald, E., Mate, I., McLaren, D. and Stewart, R. (2009) *Scottish House Condition Survey Revised Key Findings 2007*, Edinburgh: Scottish Government
- Centre for Housing Research, St Andrews University (2007) *CORE Annual Digest for Housing Associations 2006/07*, London: The Housing Corporation
- Clapham, D., Mackie, P. and Pritchard, J. (2009) 'Homelessness policy in Wales: which path will it take?', in S. Fitzpatrick, D. Quilgars and N. Pleace (eds) *Homelessness in the UK: Problems and Solutions*, Coventry: Chartered Institute of Housing
- Communities and Local Government (2007) *English House Condition Survey 2005 Headline Report*, London: CLG
- Communities and Local Government (2008) *English House Condition Survey 2006 Revised Headline Report*, London: CLG
- Communities and Local Government (2009) *English House Condition Survey 2007 Headline Report*, London: CLG
- Council of Mortgage Lenders (2009) 'Arrears and possessions in 2008', Council of Mortgage Lenders Press Release, 20 February, <http://www.cml.org.uk/cml/media/press/2108>
- Crook, T., Kemp, P.A. and Ferrari, E. (2009) *Views and Experiences of Landlords in the Private Rented Sector*, Volume 3, Edinburgh: Scottish Government Social Research
- Cuthbertson, S., Smithson, E., Herring, I. and Wait, C. (2009) *Income Related Benefits Estimates of Take Up in 2007/09*, London: Department for Work and Pensions
- Department of the Environment, Transport and the Regions (2000) *Quality and Choice: A Decent Home for All*, London: DETR
- Department for Social Development (2007) *Including the Homeless: A Strategy to Promote the Inclusion of Homeless People*, Belfast: DSD
- Department for Work and Pensions and Department for Social Development Northern Ireland (2002) *Concordat between the Department for Work and Pensions and the Department for Social Development Northern Ireland*, London: DWP
- Fitzpatrick, S. (2008) 'The contribution of the statutory homelessness system', in S. Fitzpatrick and M. Stephens (eds) *The Future of Social Housing*, London: Shelter



- Fitzpatrick, S. and Stephens, M. (1999) 'Homelessness, need and desert in the allocation of council housing', *Housing Studies*, 14(4), 413–31
- Fitzpatrick, S. and Stephens, M. (2008) (eds) *The Future of Social Housing*, London: Shelter
- Ford, J. and Wallace, A. (2009) *Uncharted Territory? Managing Mortgage Arrears and Possessions*, London: Shelter
- Fry, J., Brown, J. and Russell, K. (2007) *Northern Ireland House Condition Survey 2006 Main Report*, Belfast: Northern Ireland Housing Executive
- Gall, A. (2007) 'What influences house price expectations?', in S. Wilcox (ed.) *UK Housing Review, 2006/7*, Coventry/London: Chartered Institute of Housing/Council of Mortgage Lenders
- Gray, P. and Long, G. (2009) 'Homelessness policy in Northern Ireland: failing to keep up with the rest of the UK?', in S. Fitzpatrick, D. Quilgars and N. Pleace (eds) *Homelessness in the UK: Problems and Solutions*, Coventry: Chartered Institute of Housing
- Hills, J. (2007) *Ends and Means: The Future Roles of Social Housing in England*, CASE Report 34, London: CASE and LSE
- HM Treasury (2007) *Funding the Scottish Parliament, National Assembly for Wales and Northern Ireland Assembly: Statement of Funding Policy*, London: HM Treasury
- HM Treasury (2008) *Public Expenditure Statistical Analyses 2008*, London: HM Treasury
- Homelessness Task Force (2000) *Helping Homeless People: Legislative Proposals on Homelessness*, Edinburgh: Scottish Executive
- Homelessness Task Force (2002) *An Action Plan for Prevention and Effective Response – Homelessness Task Force Final Report*, Edinburgh: Scottish Executive
- Housing Corporation (2008) *Headlines from the 2008 Performance Indicators*, London: Housing Corporation
- Housing Supply Task Force (2009) *Housing Supply in Scotland*, Edinburgh: Scottish Government
- MacLennan, D. and O'Sullivan, T. (2008) *Housing Policies for Scotland: Challenges and Changes*, York: Joseph Rowntree Foundation
- McLean, I., Lodge, G. and Schmucker, K. (2008) *Fair Shares? Barnett and the Politics of Public Expenditure*, London: IPPR
- Miles, D. and Pilonca, V. (2007) *Financial Innovation and European Housing and Mortgage Markets*, London: Morgan Stanley Research Europe
- Monk, S. (2005) 'Making planning pay?', in S. Wilcox (ed.) *UK Housing Review 2005/6*, Coventry/London: Chartered Institute of Housing//Council of Mortgage Lenders
- National Assembly for Wales (2001) *Better Homes for People in Wales*, Cardiff: NAW
- Northern Ireland Housing Executive (2008) *Annual Report 2007–08*, Belfast: NIHE
- O'Callaghan, B., Dominion, L., Evans, A., Dix, J., Smith, R., Williams, P. and Zimmeck, M. (1996) *Study of Homeless Applicants*, London: HMSO
- Office of the Deputy Prime Minister (2005) *Sustainable Communities: Homes for All. A Five Year Plan from the Office of the Deputy Prime Minister*, London: ODPM
- Pawson, H. (2009a) 'Homelessness policy in England: promoting "gatekeeping" or effective prevention?', in S. Fitzpatrick, D. Quilgars and N. Pleace (eds) *Homelessness in the UK: Problems and Solutions*, Coventry: Chartered Institute of Housing

- Pawson, H. (2009b) *Analysis of English Local Authority Housing Management Performance 2007/08*, York: Housing Quality Network
- Pawson, H. (2009c) *Analysis of 2007/08 Scottish Local Authority Housing Management Performance*, York: Housing Quality Network
- Pawson, H. and Davidson, E. (2008) 'Radically divergent? Homelessness policy and practice in post-devolution Scotland', *European Journal of Housing Policy*, 8(1), 39–60
- Pawson, H., Davidson, E. and Netto, G. (2007) *Evaluating Homelessness Prevention Activities in Scotland*, Edinburgh: Scottish Executive
- Pleace, N. (2008) *Changing Supporting People Funding in England: Results from a Pilot Exercise*, London: CLG
- Pleace, N., Fitzpatrick, S., Johnsen, S., Quilgars, D. and Sanderson, D. (2008) *Statutory Homelessness in England: The Experience of Families and 16–17 Year olds*, London: CLG
- Scottish Council for Single Homeless (2009) 'SCSH gives parliamentary evidence on homelessness', *Inhouse*, February, 197
- Scottish Executive (2000) *Better Homes for Scotland's Communities*, Edinburgh: Scottish Executive
- Scottish Government (2007) *Firm Foundations: The Future of Housing in Scotland*, Edinburgh: Scottish Government
- Scottish Housing Regulator (2009) *Social Landlords in Scotland: Shaping up for improvement*, Glasgow: Scottish Housing Regulator
- Semple, J. (2007) *Review into Affordable Housing, Final Report*, Belfast: Department for Social Development
- Statistics for Wales (2008a) *Living in Wales 2004 – Welsh Housing Quality Standard*, Cardiff: Welsh Assembly Government
- Statistics for Wales (2008b) *Living in Wales 2004 – Unfitness and Repairs*, Cardiff: Welsh Assembly Government
- Statistics for Wales (2009) *Local Authority Housing: Management and Performance 2007–08 – Revised*, Cardiff: Welsh Assembly Government
- Taylor, M. (2004) 'Policy emergence: learning lessons from stock transfer', in D. Sim (ed.) *Housing and Public Policy in Post-Devolution Scotland*, Edinburgh: Chartered Institute of Housing in Scotland
- Taylor, R. (2008) *Buy-To-Let Mortgage Lending and the Impact on UK House Prices: A Technical Report*, London: NHPAU
- Welsh Assembly Government (2009) *Ten Year Homelessness Plan for Wales: 2009–2019*, Cardiff: WAG
- Welsh Data Unit (2009) Online dissemination tool (<http://dissemination.dataunitwales.gov.uk>)
- Welsh Economy Research Unit (2008) *The Housing Associations of Wales: Measuring the Impact*, Cardiff: Community Housing Cymru
- Wilcox, S. (2006a) 'A financial evaluation of the right to buy', in S. Wilcox (ed.) *UK Housing Review 2006/07*, Coventry/London: CIH/CML
- Wilcox, S. (2006b) *The Geography of Affordable and Unaffordable Housing: Local Measures of the Limits to the Ability of Working Households to Become Home Owners*, York: Joseph Rowntree Foundation
- Wilcox, S. (2006c) *Housing Market Affordability in Northern Ireland, 2005*, Northern Ireland Housing Executive

Wilcox, S. (ed.) (2007) *UK Housing Review 2007/08*, Coventry/London: CIH/BSA

Wilcox, S. (ed.) (2008a) *UK Housing Review 2008/09*. Coventry/London: CIH/ BSA

Wilcox, S. (2008b) 'Adventures in environmental housing policy', in S. Wilcox (ed.) *UK Housing Review 2008/09*, Coventry/London: CIH/BSA

Wilcox, S. (ed.) (2009) *UK Housing Review 2008/09*, interim updates, July (<http://www.ukhousingreview.org.uk>)

---

The Joseph Rowntree Foundation has supported this project as part of its programme of research and innovative development projects, which it hopes will be of value to policy-makers, practitioners and service users. The facts presented and views expressed in this report are, however, those of the authors and not necessarily those of the Foundation.

Joseph Rowntree Foundation  
The Homestead  
40 Water End  
York YO30 6WP  
[www.jrf.org.uk](http://www.jrf.org.uk)

This report, or any other JRF publication, can be downloaded free from the JRF website ([www.jrf.org.uk/publications/](http://www.jrf.org.uk/publications/)).

A CIP catalogue record for this report is available from the British Library.

© Joseph Rowntree Foundation 2010

First published 2010 by the Joseph Rowntree Foundation

All rights reserved. Reproduction of this report by photocopying or electronic means for non-commercial purposes is permitted. Otherwise, no part of this report may be reproduced, adapted, stored in a retrieval system or transmitted by any means, electronic, mechanical, photocopying, or otherwise without the prior written permission of the Joseph Rowntree Foundation.

ISBN: 978-1-85935-722-4 (pdf)

Designed by Draught Associates  
Typeset by  
York Publishing Services Ltd



# About the authors

Steve Wilcox, Suzanne Fitzpatrick, Nicholas Pleace, Alison Wallace and David Rhodes are all at the Centre for Housing Policy, University of York. Mark Stephens is at the Department of Urban Studies, University of Glasgow.